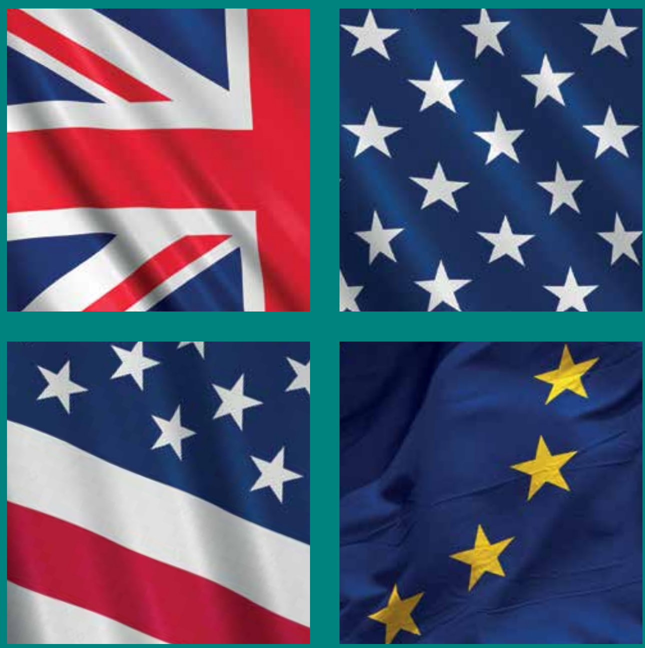


JZ CAPITAL PARTNERS LIMITED

Annual Report and Financial Statements
For the year ended 29 February 2020

Contents

Numbers in the Annual Report and Financial Statements are quoted in US dollar ("$") unless otherwise stated.

Who We Are

Corporate Objective

JZ Capital Partners Limited ("JZCP" or the "Company") seeks to provide shareholders with an attractive return by investing selectively in US and European micro-cap companies and US real estate.

About Us

JZCP has investments in US and European micro-cap companies, as well as real estate properties in the US.

JZCP's Investment Adviser is Jordan/Zalaznick Advisers, Inc. ("JZAI") which was founded by David Zalaznick and Jay Jordan in 1986. JZAI has investment professionals in New York, Chicago, London and Madrid.

JZCP offers investors access to the US and European micro-cap buyout markets. JZCP creates value by buying high quality privately owned micro-cap companies in non-auction transactions, providing capital and actively working with the existing management to grow the businesses before selling to strategic buyers.

In the US, JZCP has a buy-and-build strategy to acquire controlling stakes in high margin micro-cap companies in fragmented industries such as industrial services, testing services and flexible packaging.

In addition, JZCP teamed up with a real estate team to invest indirectly in commercial and residential properties and in up-and-coming neighbourhoods. JZCP has investments in Brooklyn, New York and South Florida. JZCP's team purchased these properties with a view to developing via renovation and/or reconstruction.

In Europe, the Investment Adviser's team has worked together for over 15 years and has a proprietary network of intermediaries to deliver high quality micro-cap buy-and-build opportunities throughout the continent.

The Company's shareholders are due to vote on proposed changes to the Company's investment policy. Under the proposals, the Company will make no further investments except in respect of which it has existing obligations and to continue to selectively support the existing portfolio. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders.

JZCP is a Guernsey domiciled closed-ended investment company authorised by the Guernsey Financial Services Commission. JZCP's shares trade on the Specialist Fund Segment of the London Stock Exchange.

Our Key Investment Principles

1. A disciplined value oriented and value added approach to deliver superior returns on a risk-adjusted basis;
2. A focus on micro-cap businesses in the US and Europe and US real estate;
3. A strategy of working with our management partners at each portfolio company to enhance growth through operational focus and strategic acquisitions;
4. Working with a proprietary network of intermediaries to find investment opportunities rather than participating in auctions; and
5. Maintaining a diversified portfolio in terms of industry sector, geography and asset class.

Performance and Results Highlights

Realisations During Year

Realisations of investments in the year ended 29 February 2020 total $148.2 million including:

- $37.5 million from the sale of 80% of JZCP's holding in Avante Health Solutions;
- $28.0 million from the sale of 80% of JZCP's holding in Orizon;
- $23.3 million from the sale of Waterline Renewal Technologies; and
- $18.5 million from the sale of Priority Express.

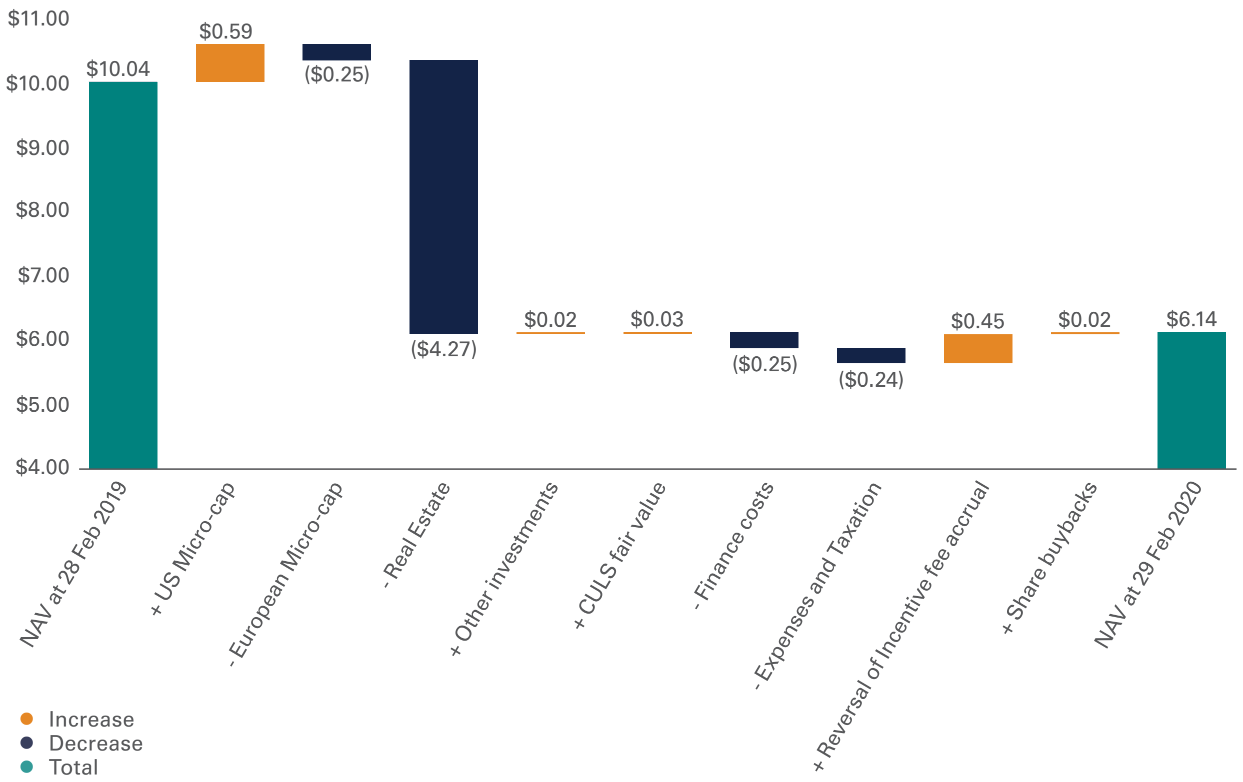
Net Asset Value ("NAV") per Share and Total NAV Returns

NAV per share at 29 February 2020 was **$6.14** (28 February 2019: $10.04). Total NAV Returns per share are shown below and also on an 'adjusted' basis which presents the Company's NAV return, before the effect of dilution from capital raised[1] and subsequent appreciation from the buy back of ordinary shares at a discount.

	1 Year	3 Year	5 Year	7 Year
Total NAV return	-38.8%	-39.3%	-39.7%	-28.2%
Total NAV return (Adjusted)	-39.0%	-40.4%	-34.8%	-22.3%

Following table presents the Company's annual NAV performance by sector:

NAV Attribution Per Ordinary Share



All NAV returns above are presented in US dollar terms and on a dividend reinvested basis and for periods ended 29 February 2020.

[1] On 30 September 2015 a Placing and Open Offer of Ordinary shares resulted in 18,888,909 Ordinary shares being issued at the price of £4.1919.

Shareholder Returns

JZCP's share price at 29 February 2020 was **£2.58** (28 February 2019: £4.35). At the time of the announcement of these results, JZCP's share price[1] had fallen to £0.95.

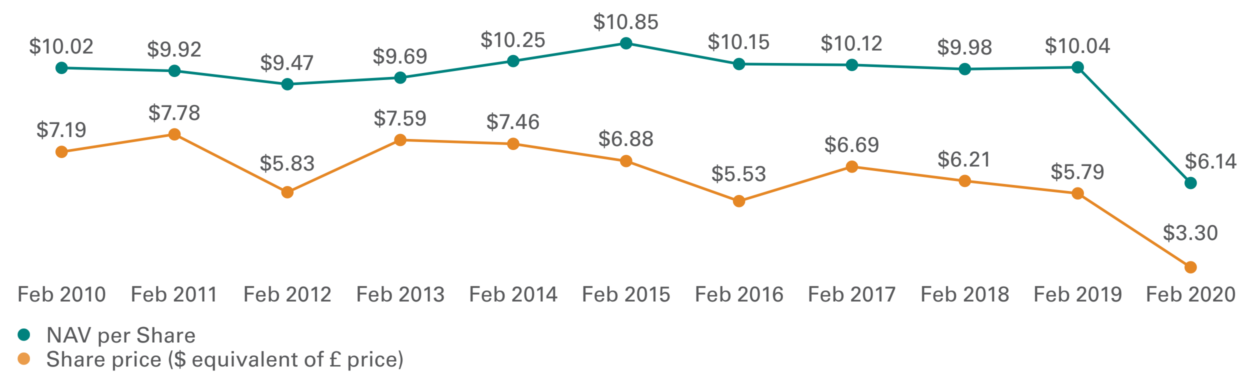
	1 Year	3 Year	5 Year	7 Year
Total Shareholder return	-40.7%	-52.0%	-30.2%	-38.1%

NAV to Market Price Discount

As at 16 June 2020, JZCP's Ordinary shares were trading at £0.95[1], which represent a 80.8% discount to the latest NAV announced (being January 2020 $6.31). The data below shows the theoretical discount of the year end share price and the year end NAV per share and does not factor in the timing delay in announcing the year end NAV to the market.

	29.2.2020	28.2.2019	28.2.2017	28.2.2015	28.2.2013
Discount	**46.3%**	42.4%	33.8%	41.7%	21.4%

NAV per share versus Share price



Total NAV return, Total Shareholder returns, NAV to Market Price discount, are classified as Alternative Performance Measurements under European Securities and Market Authority guidelines and are further explained on page 97 under Useful Information for Shareholders.

[1] JZCP's Ordinary Share price at close 16 June 2020 *(London Stock Exchange)*.

Chairman's Statement

David Macfarlane

It is regrettable that the financial results of the Company for the year ended 29 February 2020 reflect significant losses in value to the Company. The Company's NAV during the period reported on has fallen from $10.04 to $6.14 per share. This 38.8% reduction is attributable in the most part to write-downs in the value of certain real estate investments, which was foreshadowed prior to the release of the interim results in late October 2019 and announced thereafter. The other areas of the Company's business, investment in US and European micro-cap assets, have, apart from one significant loss on a European debt investment, performed well, as generally speaking, they always have.

As a result of the significant losses in value to the Company's real estate portfolio and ensuing poor performance, the Board has recognised the need for a change in investment policy. Accordingly, as announced on 22 April 2020, the Board has proposed a new investment policy whereby the Company will make no further investments outside of its existing obligations or to the extent that investment may be made to support selected existing portfolio investments. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders. A separate letter to shareholders will be issued on or before the posting of the printed version of these results convening an Extraordinary General Meeting at which to propose a resolution formally to adopt this new policy.

Soon after the period end, the full extent of the COVID-19 crisis started to take effect globally and the Investment Adviser moved swiftly to ensure the safety of its employees and their families adapting to remote working and appropriate social distancing measures. Whilst the full impact of the pandemic on the portfolio is yet to be determined, the Investment Adviser is working closer with our portfolio companies than ever before to ensure they navigate the headwinds caused by the crisis.

Real Estate Portfolio

During the autumn of 2019, initial indications of potential impairment to the real estate portfolio emerged in the ordinary course of business between the Company's Investment Adviser and third-party real estate brokers. These initial indications suggested that certain investments might not be realisable at the values at which the Company was holding them, which were based upon the valuations of the Company's independent third-party appraiser at that time. In light of this, the Board requested that the third-party appraiser urgently review its appraisals and bring them up to date. The appraisals were updated in time for the Company to publish its interim results; however, the appraiser's review revealed minimal differences from its previously prepared valuations. Nevertheless the Investment Adviser continued to have substantial reservations about these appraisals as indicated in those results.

Following the release of the Company's interim results, the Board appointed a new independent third-party appraiser to reappraise the real estate portfolio; it is these year-end valuations that have given rise to the recent write-downs in value. The downward valuations of certain properties have been less severe than others, but only one property has maintained its previous carrying value. In the case of two substantial investments, Fulton Mall and Design District, the markdowns at the property level were sufficient to extinguish the Company's entire equity in these properties.

While no obvious major macro-economic trends would imply a change in value of the magnitude of the write downs, several factors, including the general decline of retail and, in New York, new regulations adversely affecting residential properties, have led to a general softening of the Brooklyn and South Florida real estate markets. In addition, there has been either an inability or delay in executing strategic investment plans. High loan-to-value ratios at the property level have also exacerbated the effect of falling appraisals on the Company's equity value. Nonetheless, it would seem that many of the Company's real estate investments have not been the advantageous purchases they were considered to be, in terms of either price or timing.

It is important to note that the valuations at which the real estate investments are held as at year-end are based upon the appraisals done by the new independent third-party appraiser with a value date of 31 December 2019. The Board do not consider that there were any material changes to portfolio valuations in the two months ended 29 February 2020, However, needless to say the effects of the COVID-19 crisis since then on values of the real estate investments are expected to be significant and adverse although their quantum cannot yet be estimated. Further appraisals will be commissioned to establish the value of the real estate portfolio as at 31st August 2020, the Company's half year end and the date to which the Interim Results for the Company's financial year ending 28th February 2021 will be presented.

US and European Micro-cap Portfolios

In contrast the year under review has been a solid one for the Company's US and European micro-cap investments. However, these results are stated before taking into account the impact of the COVID-19 crisis, because its effect could not then be known. Now the impact is known to affect adversely most businesses to varying degrees of severity, although it is not known what the quantum is or what will be the longer-term effect on values. Suffice to say that the main factor will be the length of the lockdown and how quickly business can return to normal. In the short term, the Company's Investment Adviser continues to work assiduously with its portfolio companies and their management teams to guide them safely through this crisis. We look forward to reporting further on our US and European micro-cap portfolios at our interim results.

Stabilisation Plan

The Company had already announced a plan to realise assets as soon as possible in order to generate sufficient liquidity to cover its debt obligations at the corporate level: the Guggenheim loan of approximately $150 million (due 12 June 2021), Convertible Unsecured Loan Stock ("CULS") of approximately £38.9 million (due 30 July 2021) and Zero Dividend Preference Shares ("ZDPs") of approximately £57.6 million (due 1 October 2022). This plan was well underway, featuring a largely agreed secondary sale of certain US micro-cap assets at a substantial premium to NAV, which would have contributed half the liquidity required for the entire stabilisation plan. Unfortunately, the COVID-19 crisis intervened, deferring the ultimate execution of the secondary sale. In tandem, the Company's Investment Adviser has identified several other potentially realisable assets, which in aggregate would be sufficient to satisfy the aims of the stabilisation plan in full. Again, this timetable, originally targeted for this calendar year, will be extended due to the disruption and uncertainty created by COVID-19. Fortunately, the maturity dates on the Company's debt obligations and the Company's existing cash resources mean that there is no near-term liquidity pressure. That said, in view of the uncertainties at least temporarily as to value caused by COVID-19, at Guggenheim's invitation, the Company and Guggenheim are discussing amendments to the loan agreement with the purpose of ensuring that any risk of breach of covenant that might otherwise occur will be avoided. Although in the light of the decline in value of the Company's real estate portfolio and the enhanced uncertainty in light of the Coronavirus crisis about the Company's ability to realise assets, the assumption as to which is always key to its ability to continue as a going concern, has in these results occasioned the material uncertainties that have been disclosed in detail in the Directors Report.

Investment Adviser

In light of the difficulties that the Company has endured, the Board has had discussions with its Investment Adviser, JZAI, and with Jay Jordan and David Zalaznick about the Company's future. The Board believes it is in the Company's best interests that JZAI manages the continued realisation of the Company's assets over an appropriate time period that will maximise their value. The Board appreciates the concessions that David and Jay have made in relation to their waiver of capital incentive fees earned of $24.6 million. They have also agreed to relieve the Company of some $8.6 million of commitments and obligations in relation to investment in the CERPI fund managed by Spruceview; and in respect of the Orangewood Fund, where the Company's commitment was originally $24 million, they have agreed to relieve the Company by each of them assuming the obligation of $2 million, by arranging the transfer of a further $5 million to a third party and it is anticipated that the balance of $15 million will also be transferred. In addition, it has been agreed that the Company's intended co-commitment with David and Jay to JZ Fund IV originally of €64 million will not be made at all.

Chairman's Statement continued

The Board

In my statement accompanying the Company's annual results for its financial year ended 28 February 2019, I indicated that a substantial refreshment of the board was planned to take place by 2021, including the appointment of a replacement for myself as Chairman. To this end Tanja Tibaldi will retire from the board at the forthcoming Annual General Meeting and an additional Guernsey resident director is being recruited. The Board is greatly appreciative of Tanja's contribution and thanks her for her service. The Board will keep under review the need for further refreshment as time goes on and circumstances require. However, in the light of the events of the last few months, my own plans for retirement have been deferred and I now intend to remain in office to oversee the realisation of the Company's assets, repayment of debt and return of capital to shareholders. I am pleased to say that Jim Jordan has also agreed to remain in office. In such circumstances though the Board is mindful of the need to limit its cost to the Company and accordingly directors' base fees will be reduced by $10,000 to $50,000 and my fees will be reduced by 25%. However, the chairman of the audit committee will receive an additional fee this year in recognition of the substantial additional work that she has had to undertake.

Prospects

The prospects of the Company depend to a great extent in the immediate term upon the duration of the COVID-19 crisis and its outcome for the Company's investments. As noted above and in the Investment Adviser's report there are grounds for some optimism as regards the Company's micro-cap investments but the outlook for the real estate portfolio is more uncertain. The Company's plan and focus is on realising assets, repaying debt and then returning capital to shareholders. The timetable for achieving this has been delayed by the COVID-19 crisis but the Board believes that substantial progress can be made when the crisis lifts.

David Macfarlane
Chairman
17 June 2020

Investment Adviser's Report

David Zalaznick and Jay Jordan

Dear Fellow Shareholders,

As previously announced, we've spent the past six months focused on our stated goal of realizing investments to generate cash to pay debt, support certain investments in the existing portfolio and return capital to shareholders; this is all in line with the new investment policy. We've made some progress on realizations as detailed below. However, with the arrival of the COVID-19 crisis, our plans have been pushed back by six to twelve months, or longer. Therefore, our efforts will be totally dedicated towards raising cash in order to execute the aforementioned plan to pay debt as well as continue to selectively support the existing portfolio so that we can maximize the value of the Company's assets.

Our US and European micro-cap portfolios performed relatively well during the first calendar quarter of 2020. To deal with the COVID-19 pandemic, we are working daily with each portfolio company's leadership team to review contingency plans and liquidity scenarios to weather the current downturn. Many of our portfolio companies currently have strong liquidity positions; regardless, we are in touch with lenders to amend loan terms to give our companies as much headroom as necessary to get through COVID-19. While we are hopeful that the economic downturn will be relatively short-term in nature, we are executing on conservative plans to support our portfolio in case of a longer duration impact.

We believe our micro-cap portfolios remain in good shape because (i) they are not heavily invested in cyclical businesses; (ii) they are conservatively leveraged; and (iii) our entry multiples are below market and offer significant room for capital gains.

Furthermore, we believe certain of our build-ups in the US and Europe may end up being net beneficiaries of current market conditions as add-on acquisition targets become available on more attractive terms.

With regards to our real estate portfolio, COVID-19 has been devastating to commercial retail real estate and may likely result in further write downs in the value of our real estate assets. Many of our retail tenants have not paid rent in April or May. We are negotiating with our lenders across the portfolio on numerous fronts to allow us to weather the current situation.

During the year ended 29 February 2020, JZCP realized more than $148 million in gross proceeds, including: $65 million from the August 2019 sale of 80% of its interest in portfolio companies Orizon and Avante; $23.3 million from the April 2019 sale of Waterline Renewal; $17.2 million from the October 2019 sale of Priority Express; $14.5 million from the sale of Fund III portfolio company Petrocorner and the refinancing of companies Collingwood and Fincontinuo; $14.0 million from the March 2019 refinancing of Felix Storch; and $4.6 million from the sale of our Triangle real estate property.

As of 29 February 2020, our US micro-cap portfolio consisted of 23 businesses, which includes four 'verticals' and 15 co-investments, across nine industries; this portfolio was valued at 8.3x EBITDA, after applying an average 18% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 4.6x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 5.9x EBITDA. Our European micro-cap portfolio consisted of 18 companies across six industries and seven countries. The European micro-cap portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

As discussed in the Chairman's Statement and several press releases in JZCP's third and fourth quarters of this fiscal year, our real estate portfolio has suffered a large reduction in value during the year. Our US real estate portfolio consists primarily of 'assemblages' located in the Williamsburg, Greenpoint and Downtown Brooklyn neighbourhoods of Brooklyn, New York, as well as the cities of Miami and West Palm Beach in South Florida.

Investment Adviser's Report continued

Net Asset Value ("NAV")

JZCP's NAV per share decreased by $3.90, or 38.8%, during the year.

NAV bridge

NAV per Ordinary share as of 1 March 2019	**$10.04**
Change in NAV due to capital gains and accrued income	
+ US micro-cap	0.59
- European micro-cap	(0.25)
- Real estate	(4.27)
+ Other investments	0.02
Other increases/(decreases) in NAV	
+ Change in CULS market price	0.03
- Finance costs	(0.25)
+ Reversal of incentive fee accrual	0.45
- Expenses and taxation	(0.24)
+ Appreciation from share buy backs	0.02
NAV per Ordinary share as of 29 February 2020	**$6.14**

The US micro-cap portfolio performed respectably during the period, delivering a net increase of 59 cents per share. This was primarily due to net accrued income of 18 cents, increased earnings at co-investments Peaceable Street Capital (11 cents), New Vitality (7 cents) and K2 Towers II (3 cents) as well as writing up our Orizon, Avante and Logistics investments upon their realizations in 2019 (18, 7 and 6 cents, respectively). We also received 6 cents of escrow payments during the year. Offsetting these increases were decreases at co-investments Sloan (1 cent), Igloo (6 cents) and Deflecto (10 cents).

Our JZI Fund III, L.P. ("Fund III") portfolio performed well during the period, posting a net increase of 8 cents, primarily due to write-ups at Fund III portfolio companies S.A.C, Eliantus, Factor Energia, BlueSites, Luxida and Karium. Gains at our Fund III portfolio companies were offset by a write-down on our direct loan to Ombuds (33 cents).

The real estate portfolio experienced a net decrease of $4.27, largely due to the write-offs of the Design District and Fulton Mall investments.

Returns

The chart below summarizes cumulative total shareholder returns and total NAV returns for the most recent six-month, one-year, three-year and five-year periods.

	29.2.2020	31.8.2019	28.2.2019	28.2.2017	28.2.2015
Share price (in GBP)	**£2.58**	£4.82	£4.35	£5.38	£4.09
NAV per share (in USD)	**$6.14**	$9.66	$10.04	$10.12	$10.85
NAV to market price discount	**46.3%**	39.2%	42.4%	33.8%	41.7%

	6 month return	1 year return	3 year return	5 year return
Dividends paid (in USD)	$0.00	$0.00	$0.00	$0.64
Total Shareholders' return (GBP)[1]	-41.9%	-40.7%	-52.0%	-30.2%
Total NAV return per share (USD)[1]	-37.5%	-38.8%	-39.3%	-39.7%
Adjusted NAV return per share (USD)[1,2]	-37.5%	-39.0%	-40.4%	-34.8%

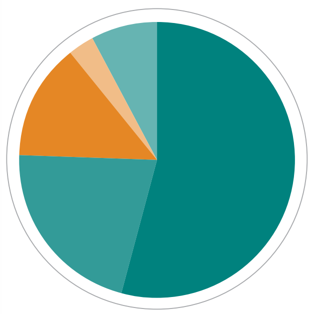
[1] Total returns are cumulative and assume that dividends were reinvested.
[2] Adjusted NAV returns reflect the return per share before (i) the dilution resulting from the issue of 18,888,909 ordinary shares at a discount to NAV on 30 September 2015 and (ii) subsequent appreciation from the buyback of ordinary shares at a discount.

Portfolio Summary

Portfolio by Industry

Industrial	30.9%
Real estate	21.6%
Financial services	13.6%
Telecom	7.8%
Service	5.4%
Healthcare	5.1%
Consumer	2.8%
Transportation/logistics	2.0%
Gaming	1.6%
Restaurant franchise	1.1%
Other	0.4%
Energy	0.3%
Cash & cash equivalents	7.6%

Portfolio by Investment Type



US micro-cap	54.3%
Real estate	21.3%
Euro micro-cap	13.8%
Other	3.0%
Cash & cash equivalents	7.6%

Below is a summary of JZCP's assets and liabilities at 29 February 2020 as compared to 28 February 2019. An explanation of the changes in the portfolio follows:

	29.2.2020 US$'000	28.2.2019 US$'000
US micro-cap portfolio	**404,880**	478,970
European micro-cap portfolio	**102,591**	128,698
Real estate portfolio	**158,712**	443,044
Other investments	**22,603**	18,302
Total Private Investments	**688,786**	1,069,014
Treasury bills	**3,386**	3,314
Cash and cash equivalents	**52,912**	50,994
Total Listed Investments and Cash	**56,298**	54,308
Other assets	**119**	1,286
Total Assets	**745,203**	1,124,608
Zero Dividend Preferred shares	**64,510**	63,838
Convertible Unsecured Loan Stock	**49,886**	54,274
Loans payable	**150,362**	149,227
Other liabilities	**4,711**	47,007
Total Liabilities	**269,469**	314,346
Total Net Assets	**475,734**	810,262

JZCP's loan facility with Guggenheim Partners may be repaid, in whole or in part, at any time, without any prepayment penalties.

US Micro-Cap Portfolio

As you know from previous reports, our US portfolio is grouped into industry 'verticals' and co-investments. Our 'verticals' strategy focuses on consolidating businesses under industry executives who can add value via organic growth and cross company synergies. Our co-investments strategy allows for greater diversification of our portfolio by investing in larger companies alongside well-known private equity groups.

The US micro-cap portfolio performed respectably during the period, delivering a net increase of 59 cents per share. This was primarily due to net accrued income of 18 cents, increased earnings at co-investments Peaceable Street Capital (11 cents), New Vitality (7 cents) and K2 Towers II (3 cents) as well as writing up our Orizon, Avante and Logistics investments upon their realizations in 2019 (18, 7 and 6 cents, respectively). We also received 6 cents of escrow payments during the year. Offsetting these increases were decreases at co-investments Sloan (1 cent), Igloo (6 cents) and Deflecto (10 cents).

Investment Adviser's Report continued

European Micro-Cap Portfolio

Our Fund III portfolio performed well during the year, posting a net increase of 8 cents, primarily due to write-ups at Fund III portfolio companies S.A.C, Eliantus, Factor Energia, BlueSites, Luxida and Karium. Gains at our Fund III portfolio companies were offset by a write-down on our direct loan to Ombuds (33 cents).

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of Fund III. As of 29 February 2020, Fund III held 13 investments: five in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals.

During the year, JZCP received distributions totaling approximately €12.8 million (approximately $14.5 million) from its investments in: (i) Petrocorner, a network of petrol stations throughout Spain; (ii) Collingwood, a niche auto insurance business in the UK; and (iii) Fincontinuo, a niche consumer lender in Italy. Post-period (April 2020), JZCP received a distribution of €2.7 million from the refinancing of Eliantus.

The proceeds included above from Petrocorner represent the first tranche of proceeds from the sale of Petrocorner by Fund III to British Petroleum. Headquartered in Madrid, Petrocorner is a strategic build-up in the Spanish retail petrol station market, comprised of 65 petrol stations located across Spain with annualized sales volume of approximately 250 million litres of petrol. JZCP expects to receive cumulative gross proceeds of €12.1 million from the sale (including interim proceeds and escrows), which represents a gross multiple of invested capital ("MOIC") of approximately 2.0x and a gross internal rate of return ("IRR") of approximately 22.0%.

Real estate Portfolio

As discussed in the Chairman's Statement and several press releases in JZCP's third and fourth quarters of this fiscal year, our real estate portfolio has suffered a large reduction in value during the year. COVID-19 has further damaged the portfolio and may likely result in further write downs in the value of our real estate assets. Many of our retail tenants have not paid rent in April or May. We are negotiating with our lenders across the portfolio on numerous fronts to allow us to weather the current situation.

As of 29 February 2020, JZCP had approximately $419 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida, which is valued at $159 million as of that date.

Other investments

Our asset management business in the US, Spruceview Capital Partners, has continued to make encouraging progress since our last report to you. Spruceview addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer ("OCIO") model as well as customized products/solutions per asset class.

During the period, Spruceview received commitments totaling $700 million for a portfolio of alternative private equity investments for a Mexican trust (or "CERPI"). Spruceview has successfully deployed most of those commitments and continues working to deploy the remaining amounts. Additionally, Spruceview is anticipating the potential commitment of an additional $700 million to the CERPI, subject to regulatory approval.

During the period, Spruceview also maintained a pipeline of potential client opportunities and continued to provide investment management oversight to the pension funds of the Mexican and Canadian subsidiaries of an international packaged foods company, as well as portfolios for family office clients, a European private credit fund-of-funds, and a US middle market private equity fund-of-funds.

As previously reported, Richard Sabo, former Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan and a member of that firm's executive committee, is leading a team of 15 investment, business and product development, legal and operations professionals.

Realisations

Investment	Portfolio	Proceeds $ millions
Avante – Sale of 80% of JZCP's stake	US micro-cap	37.5
Orizon – Sale of 80% of JZCP's stake	US micro-cap	28.0
Waterline Renewal – Sale	US micro-cap	23.3
Priority Express – Sale	US micro-cap	17.2
Fund III – Proceeds from Sale of Petrocorner/Refinancing of Collingwood & Fincontinuo	Euro micro-cap	14.8
Felix Storch – Refinancing	US micro-cap	14.0
Triangle – Sale	Real estate	4.6
Other	US micro-cap	3.2
Receipt of Escrow Balances	US micro-cap	5.6
Total		**148.2**

Avante & Orizon

In August 2019, JZCP sold 80% of its stake in US micro-cap investments Avante and Orizon to Edgewater Growth Capital Partners for $65.5 million in gross proceeds, a 23% uplift to July 2019 NAV of those assets.

Avante is a single source provider of medical, surgical, diagnostic imaging and radiation oncology equipment, including sales, service, repair, parts, refurbishing and installation in over 150 countries. Orizon is a manufacturer of integral aerospace assemblies for original equipment manufacturers and tier one suppliers to original equipment manufacturers.

Waterline Renewal

In April 2019, Waterline Renewal was acquired by Behrman Capital, a private equity investment firm based in New York and San Francisco.

Waterline Renewal is a leading provider of engineered products used in the trenchless rehabilitation of wastewater infrastructure for municipal, commercial, industrial, and residential applications. The company's patented line of products and technologies allows its customers to deliver long-lasting solutions that repair sewer systems and wastewater lines without the need for excavation or property damage, and prevent overflow created by excess inflow and infiltration of ground water into the wastewater system.

JZCP expects to realise approximately $24.6 million in gross proceeds (including escrows) from the sale.

Felix Storch

In March 2019, JZCP refinanced Felix Storch, its manufacturer of small and custom refrigeration appliances. This refinancing resulted in gross proceeds to JZCP of approximately $14.0 million, which returned JZCP's entire March 2017 investment in Felix Storch of $12.0 million. Felix Storch has continued to exhibit strong growth and we expect it to return more capital in the future.

Priority Express

In October 2019, Priority Express was acquired by Capstone Logistics, a leading North American supply chain solutions partner.

Priority Express was founded in 2005 and provides over 500 customers in the healthcare and e-commerce end markets with expedited freight and distribution services, scheduled routed delivery services and on-demand delivery services.

JZCP expects to realise approximately $18.8 million in gross proceeds (including escrows and a potential earn-out) from the sale, a 60% uplift to July 2019 NAV.

Triangle

In January 2020, JZCP sold its investment in the Triangle property, receiving $4.6 million in sale proceeds.

Eliantus

In April 2020 (post period), JZCP received €2.7 million in proceeds from the refinancing of Fund III portfolio company, Eliantus, which issued its second project bond backed by solar power plants in Spain.

Investment Adviser's Report continued

Outlook

As we think about the outlook, it's almost impossible to project at a time when the economy is declining by 20% or more and unemployment is spiking in the United States. It is our hope that these conditions subside and reverse with COVID-19 in decline.

Our efforts are dedicated towards generating cash, which includes selling certain assets when the market is open as well as conserving cash by not spending the Company's resources until we have clear visibility on when the economy will be on the road to recovery.

As previously reported, we have reduced the Company's commitments to several investments and will continue to do so to reduce the Company's cash requirements. We have several of our real estate properties for sale, but, again, it is very difficult to sell anything in this environment. In some cases, we may support the business plan for certain of our properties to retain value as well as to maximize value.

The schedule for realizing value in the real estate portfolio has been delayed at least six to twelve months due to the COVID-19 crisis. As you've seen, the real estate portfolio has been marked down significantly since we last reported to you in August 2019. The decision by the Board to adopt this markdown was made largely upon the basis of the updated appraisals done by the new appraiser retained by the Company. Unfortunately post year end, COVID-19 has caused severe impairment on certain retail real estate assets which may result in further write-downs. We hope to make progress on realizing some of these values once the market opens up.

We will keep you informed as to the results of our efforts to realize cash from our investments. In the meantime, we hope everybody is healthy and safe and that we can report brighter prospects when we report to you on our interim results.

Thank you again for your support of the Company's revised investment strategy.

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.
17 June 2020

Investment Review

The following investment review focuses on JZCP's largest investments (by value) in the US micro-cap and also provides further analysis of the European micro-cap and real estate portfolios.

US Micro-Cap

Industrial Service Solutions

Portfolio: US Micro-cap (Vertical)	**Cost 29.2.2020**	**$48.2 million**
Date of Initial Investment: June 2011	**Valuation 29.2.2020**	**$95.9 million**
Website: www.iss-na.com		

The investment strategy for Industrial Service Solutions ("ISS") is to build a uniquely positioned industrial repair, service and manufacturing holding company with multiple value propositions across diversified industries.

ISS provides a broad set of services to critical-to-process equipment. These services include: on-site mechanical and repair, regionally based shop services, quality assurance and quality control inspection, testing, and parts supply, rental and remanufacturing. The company also sells parts and supplies for the products it services.

ISS serves a wide variety of industries, such as pulp and paper; petrochemical; tire and rubber; oil and gas; power generation; cement; metals and mining; water and waste water; and other industrial and commercial markets.

With hundreds of dedicated and skilled technicians, machinists, craftsmen, project leaders and application engineers, ISS has the experience and talent to deliver high-quality work on schedule and on budget. The increasing complexity of equipment in industrial settings, along with fewer maintenance staff at these plants, should encourage growth in ISS' customers' needs. This large and very fragmented industry is well suited for a consolidation strategy.

Business Update

Combined sales for 2019 were $400.4 million (2018: $439.4 million) and combined EBITDA of $47.4 million (2018: $51.0 million).

TSH TECHNICAL SOLUTIONS HOLDINGS, INC.

Portfolio: US Micro-cap (Vertical)	**Cost 29.2.2020**	**$23.8 million**
Date of Initial Investment: July 2012	**Valuation 29.2.2020**	**$23.9 million**
Website: techholdings.com		

Testing Services Holdings, LLC ("TSH") is a holding company established to pursue a strategic build-up in the highly fragmented health, safety and environmental ("HSE") market. Companies acquired under TSH provide service and product-based health & safety solutions to a variety of end markets, with a particular focus on the healthcare and life sciences sectors.

To date, TSH has established two vertical platforms, Contamination Control & Certification Holdings, Inc. (the "Services Vertical" and Technical Solutions Holdings, Inc. (the "Products Vertical"), to focus on two specific segments of the larger HSE market:

- Testing, inspection, certification, repair and calibration service providers
- Value-added distribution and rental of industrial hygiene & safety equipment

Investment Review continued

TSH continued

The Services Vertical is an industry leading provider of comprehensive testing/inspection, certification, calibration, and validation services for cleanrooms and critical environments. Since 2018, the Services Vertical has acquired 16 companies in total throughout the US, and is able to gain significant operating efficiencies as further acquisitions are made.

The Products Vertical is a manufacturer of premium high visibility safety apparel and offers a comprehensive range of safety-related products including rental instruments and calibration services. Since 2012, the Products Vertical has acquired 8 companies in total throughout the US.

Business Update

Combined sales for 2019 were $112.2 million (2018: $102.5 million) and combined EBITDA increased to $12.8 million (2018: $12.6 million).

Portfolio: US Micro-cap (Other)	**Cost 29.2.2020**	**$44.3 million**
Sector: Data Centre	**Valuation 29.2.2020**	**$46.8 million**
Acquisition Date: June 2014		
Website: www.tierpoint.com		

TierPoint is a leading provider of information technology and data center services, including colocation, cloud computing, disaster recovery and managed IT services. TierPoint's hybrid IT solutions help clients increase business agility, drive performance and manage risk. TierPoint operates via a network of 43 data centres in 20 markets across the United States.

There are several strong underlying demand characteristics that support continued growth in the colocation and hosting sector: growth in data demand, customer use of third-party infrastructure to minimise capital investment, continued trend of IT outsourcing, rapid adoption of cloud solutions, increased focus on compliance requirements and necessity of secure computing environments. TierPoint is focused predominantly on Tier II markets that have strong growth prospects and a robust small-to-medium sized business customer population.

Deal summary and update

In June 2014, JZCP participated in the recapitalisation of TierPoint alongside trusted co-investment partners with whom we have a long-term relationship. The transaction was led by RedBird Capital Partners and TierPoint management. At the time of the initial investment, TierPoint generated $27 million of EBITDA and has since grown organically and via acquisitions to over $150 million of Pro Forma Adjusted EBITDA.

High quality business

The data centre business is attractive due to a highly visible recurring revenue model, sticky customer relationships, high free cash flow generation, attractive internal reinvestment opportunities and a significant runway for growth. Furthermore, TierPoint is focused on small-to-medium sized businesses in Tier II US markets, which we believe to be an attractive niche. As TierPoint transitions toward higher-value managed and cloud services via a series of acquisitions and strategic initiatives, we believe the result will be greater customer captivity, greater profitability and a structurally higher quality business. TierPoint is led by Jerry Kent, CEO, who has an established track record of great returns for his investors. As major shareholders of TierPoint, management's interest and focus is fully aligned with investors.

Business update

Net sales for 2019 were $399.6 million (2018: $379.9 million) and annualised adjusted EBITDA was $152 million (2018: $153 million).

Portfolio: US Micro-cap (Co-investments)	**Cost 29.2.2020**	**$40.1 million**
Sector: Consumer Products	**Valuation 29.2.2020**	**$38.3 million**
Acquisition Date: July 2018		
Website: www.deflecto.com		

Deflecto is a diversified designer, distributor and manufacturer of consumer and commercial products operating across five industry segments. The company's customers include major retailers, wholesalers and OEMs including major big box and online retailers.

Deflecto is the world's largest chair mat, bicycle reflector and dryer venting manufacturer and a global leader in sign and literature holders, office workspace accessories and other air distribution products.

Added value is expected from the implementation of business processes to simplify operations and improve profitability. Increased revenues and lower costs are expected by focusing on largest customers and most popular products.

In 2018, Deflecto completed the acquisition of Evriholder Products which is currently run as a standalone operating company. Evriholder has expertise in managing retail relationships, new product introductions and has an international supply chain.

Business update

Sales for 2019 were $194.0 million (2018: $187.5 million) and adjusted EBITDA for 2019 was $16.9 million (2018: $13.6 million).

Portfolio: US Micro-cap (Other)	**Cost 29.2.2020**	**$0.05 million**
Sector: Refrigeration	**Valuation 29.2.2020**	**$24.5 million**
Acquisition Date: March 2017		
Website: www.felixstorchinc.com		

Felix Storch is a leading provider of specialty refrigeration and custom appliances to residential small kitchen, professional, life sciences, food service and hospitality markets. Felix Storch is a second generation family business, founded in 1969 and based in The Bronx, NY. Felix Storch's products now include a wide range of major appliances sold both nationally and internationally.

Through its Summit Appliance division, Felix Storch manufactures the industry's largest collection of undercounter and ADA compliant refrigeration products, as well as a large selection of outdoor appliances and cooking appliances. The Summit Commercial division focuses on the commercial foodservice market. Felix Storch's Accucold brand has a growing line of medical, pharmacy, laboratory, and scientific products.

Business Update

During the year, Felix Storch recapitalised its debt enabling the return to JZCP of Preferred Equity of approximately $14.0 million.

Sales for 2019 were $95.6 million (2018: $87.3 million) and adjusted EBITDA for 2019 was $15.6 million (2018: $15.0 million).

Investment Review continued

Portfolio: US Micro-cap (Co-investments)	**Cost 29.2.2020**	**$28.0 million**
Sector: Finance	**Valuation 29.2.2020**	**$36.5 million**
Acquisition Date: March 2016		
Website: www.peaceablestreet.com		

Peaceable Street Capital ("PSC") is a specialty finance platform focused on making structured investments in small and mid-sized income producing commercial real estate. The company is built on a foundation of know-how, creatively structuring preferred equity to provide senior equity in even the most complex situations. With extensive investment experience throughout the United States and Canada, Peaceable Street Capital's underwriting and decision making process is designed to deliver creative, flexible and dependable solutions quickly.

PSC focuses on a diverse portfolio of property types including multi-family, office, self-storage, industrial, retail, RV parks, mobile home parks, parking health care, hotels, etc.

PSC has a business plan to build a $300-$500 million portfolio in 3-5 years with a management team with a track record of success.

Business Update

During 2019, PSC signed a strategic joint venture with an investment firm to scale and grow the business.

PSC's valuation of $36.5 million (2018: $27.7 million) is largely based on the net operating income and various capitalisation rates that pertain to the underlying developed properties.

Portfolio: US Micro-cap (Co-investments)	**Cost 29.2.2020**	**$16.8 million**
Sector: Respiratory medical products	**Valuation 29.2.2020**	**$21.8 million**
Acquisition Date: October 2010		
Website: salterlabs.com, sun-med.com		

Salter Labs (incorporating SunMed) is a manufacturer and distributor of high quality medical devices for use in hospitals and healthcare facilities worldwide. SunMed's products includes airway management, anaesthesia, respiratory, resuscitation/ventilation, diagnostics, oxygen delivery and surgical care products. In addition to the SunMed brand, Ventlab and Ethox Medical branded products are part of the product range.

The company's headquarters in West Michigan, include a warehouse and distribution center, production space, cleanroom, and administrative offices for over 140 staff. Its overseas facility is their manufacturing hub featuring even greater capacity. The company is rapidly growing with new, innovative products that promote better patient care, and serves the healthcare industry in over 40 countries.

Business Update

Sales for 2019 were $164.2 million (2018: $152.6 million) and adjusted EBITDA for 2019 was $46.5 million (2018: $44.3 million).

Portfolio: European Micro-cap	**Cost 29.2.2020**	**$21.6 million**
Sector: Financial Services	**Valuation 29.2.2020**	**$23.1 million**
Acquisition Date: December 2013		
Website: Toro Finance		

Toro Finance ("Toro") is a provider of short term receivables financing to the suppliers of major Spanish companies, taking advantage of the combined lack of financing from banks for these highly rated credits. An opportunity was identified to provide financing to this segment and in late 2013 JZCP approached this market via a joint venture. In February 2016, JZCP realised its equity in Toro but continues to hold an investment in the company's debt.

Business Update

In March 2020, just before the lockdown of Spain due to COVID-19, Toro refinanced its funding facilities, significantly decreasing the cost of its debt. Toro anticipates substantial commercial opportunities in the coming years, as banks further retreat from making loans to small and medium enterprises in Spain post COVID-19.

European Micro-Cap

JZCP currently invests in the European micro-cap sector through its 18.75% stake in JZI Fund III, which completed its final fund raising in December 2015. Previously, JZCP's investments were made through EuroMicrocap Fund 2010, L.P. The European investment team has worked together for over ten years and has a proprietary network of intermediaries to deliver micro-cap buy-and-build opportunities throughout the continent.

As at 29 February 2020, JZI Fund III was invested in 13 European micro-cap companies. The portfolio has five investments in Spain, two in Scandinavia, UK and Italy and one each in Portugal and Luxembourg (see overleaf).

Investment Review continued

Summary of JZCP's investments in JZI Fund III's Investment Portfolio at 29 February 2020

Company	Industry	Cost 29.2.2020 Euro'000	Valuation[1] 29.2.2020 Euro'000	Valuation[1] 29.2.2020 US$'000
S.A.C	S.A.C is an operational van leasing company in Denmark, specialising in providing vans on operational lease contracts to large engineering companies.	3,355	7,444	8,177
Fincontinuo	Fincontinuo is an Italian provider of Cessione del Quinto ("CdQ") personal loans. CdQ loans are salary-backed and are a uniquely low risk market niche.	5,083	7,520	8,260
Collingwood	A niche UK motor insurer with operations in Newcastle and Gibraltar.	2,359	3,356	3,686
myLender	myLender is a Finnish provider of unsecured personal lending products.	3,938	4,669	5,129
Alianzas en Aceros	Alianzas is a specialised steel service centre business in Spain. The company is unique due to its combination of strategic asset acquisitions at a discount, its low cost structure and the management's extensive know-how/ industry relationships.	3,760	4,406	4,840
ERSI	ERSI operates within the reinforced steel sector. It provides an integrated solution to contractors, which encompasses the entire value chain of reinforced steel used in concrete structures.	7,789	4,031	4,428
Treee	Comprised of six Italian companies, Treee is a leading business in the treatment and recycling of electronic goods across Italy.	4,733	7,631	8,382
Eliantus	Eliantus is a build-up in the Spanish solar power industry.	4,377	8,438	9,269
Factor Energia	Factor Energia is a leading independent supplier of electricity in Spain. The company is focused on the highly profitable SME segment.	3,750	6,375	7,003
BlueSites	Fund III has entered into a transaction with an experienced management team to execute a build-up strategy to acquire cell tower land leases in Portugal.	1,313	1,950	2,142
Luxida	Luxida is a build-up in the Spanish last-mile energy distribution sector, presenting the opportunity to acquire high-quality assets with long-term regulated revenues at attractive entry multiples.	2,662	3,750	4,119
Karium	Karium has a buy-and- build strategy of consumer brands in the UK and European personal care sector.	4,321	7,203	7,912
Union Financiera Asturiana	Union Financiera Asturiana ("UFASA") is a leading independent consumer lender in Spain.	2,946	2,946	3,236
Other net liabilities				(7,696)
Total valuation				**68,887**

[1] JZCP's 18.75% share of Fund III gross investment valuation.

Real Estate

JZCP invests in properties through JZCP Realty Fund, a wholly owned subsidiary. The real estate portfolio has been assembled in partnership with RedSky Capital, a Brooklyn based real estate company.

In 2012, JZCP started to invest in properties in Brooklyn, a borough of New York City with a population of 2.5 million. Brooklyn has seen a renaissance where areas that had been historically industrial and low income have seen demographic changes, fuelled by an influx of young and affluent ex-Manhattan residents.

In 2015, JZCP began to invest in the Wynwood and Design District neighbourhoods of Miami, Florida. At the time, these two locations where showing rapidly increasing retail rents and appeared attractive investment opportunities. In 2016, JZCP invested in Esperante Corporate Center, a trophy office building in West Palm Beach, Florida.

JZCP's real estate portfolio at 29 February 2020, includes the following property portfolios:

Wynwood Collection, Miami Florida
The Wynwood collection is comprised of six separate retail and office buildings in one of Miami's most up and coming neighbourhoods. JZ Realty is looking at how to maximise the value of this portfolio.

Bedford Ave, Williamsburg
JZ Realty's first acquisition. A prime retail asset in northern Brooklyn. In 2016, Apple opened its first Brooklyn store occupying the prime corner retail unit.

India Street, Greenpoint
Large development site on the revitalised East River waterfront. The development site has been marketed for sale.

Esperante, West Palm Beach Florida
Esperante Corporate Center is an iconic building on the downtown West Palm Beach skyline. The building is approximately 85% leased and the intention is to market this property in the near/medium future.

Williamsburg Retail Portfolio
Portfolio comprises several retail buildings along North 6th Street within the Williamsburg neighborhood of Brooklyn and one development site. The portfolio was acquired to reposition the properties into top-class retail spaces and lease them at market rents.

Driggs Portfolio, Williamsburg
JZ Realty owns two separate development sites on Driggs Avenue very close to the Apple store.

Flatbush Portfolio, Downtown Brooklyn
JZ Realty owns two mixed residential/retail properties within immediate proximity of the Barclays Center, a 19,000 seat arena and home to the Brooklyn Nets.

Roebling Portfolio, Williamsburg
The Roebling Portfolio is within two blocks of our Bedford Ave properties.

Investment Review continued

Real Estate continued

Hart St., Bushwick

Hart St. is a loft building in the Bushwick neighbourhood of Brooklyn.

Design District, Miami Florida

The Design District has significant excess capacity and is currently experiencing a low absorption rate. It is estimated it would take 2-3 years before there would be sufficient demand for the intended JZCP developments. With high carrying costs for the assemblage the investment proposition has become untenable. JZ Realty is negotiating a forbearance agreement with the lender and in line with most recent appraisal has marked the investment to nil.

Fulton Mall, Downtown Brooklyn

JZ Realty has assembled thirteen separate buildings in a vibrant and transforming neighbourhood. Unable to exercise on the original investment plan, JZ Realty is negotiating with the lender to allow time to enable a sale of the assemblage whilst deferring interest payments.

Triangle, Downtown Brooklyn

Property was sold during the current financial year for $4.3 million (cost $4.6 million).

At 29 February 2020, JZCP's real estate portfolio was valued at $158.7 million (28 February 2019: $443.0 million).

	Cost[1] 29.2.2020 US$'000	JZCP Equity % 29.2.2020	Property Value 29.2.2020 US$'000	Valuation of JZCP's Equity[2] 29.2.2020 US$'000
Wynwood Collection, Miami Florida	67,363	76.80%	140,800	36,140
Bedford Ave, Williamsburg	17,480	59.03%	183,000	34,067
India Street, Greenpoint	43,356	42.32%	154,000	33,566
Esperante, Palm Beach Florida	14,053	59.71%	144,000	19,017
Williamsburg Retail Portfolio	69,141	76.43%	210,400	11,271
Driggs Portfolio, Williamsburg	7,343	76.70%	35,900	5,782
Flatbush Portfolio, Downtown Brooklyn	8,302	76.47%	35,400	5,386
Roebling Portfolio, Williamsburg	14,089	76.82%	62,000	3,896
Hart St.,Bushwick	3,369	76.06%	4,200	925
Design District, Miami Florida	164,717	77.38%	130,000	–
Fulton Mall, Downtown Brooklyn	23,288	39.37%	140,000	–
Other assets	9,763			8,662
Total	442,264			158,712

[1] Cost represents JZCP Realty's initial investment plus follow-on property additions and development costs.
[2] Third party debt is deducted to arrive at the fair value of JZCP's equity interests.

Investment Portfolio

	29 February 2020 Cost[1] US$'000	29 February 2020 Value US$'000	Percentage of portfolio %
US Micro-cap portfolio			
US Micro-cap (Verticals)			
Industrial Services Solutions[2]			
INDUSTRIAL SERVICES SOLUTIONS ("ISS")			
Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US			
Total Industrial Services Solutions valuation	48,250	95,889	13.8
Testing Services Holdings[2]			
TECHNICAL SOLUTIONS AND SERVICES			
Provider of safety focused solutions for the industrial, environmental and life science related markets			
CONTAMINATION CONTROL & CERTIFICATION			
Provider of testing, certification and validation services for cleanroom, critical environments and containment systems			
Total Technical Solutions and Services Vertical valuation	23,771	23,889	3.5
Flexible Packaging Vertical			
ACW FLEX PACK, LLC			
Provider of a variety of custom flexible packaging solutions to converters and end-users			
Total Flexible Packaging Vertical valuation	10,032	11,496	1.7
Flow Controls			
FLOW CONTROL, LLC			
Manufacturer and distributor of high-performance, mission-critical flow handling products and components utilized to connect processing line equipment			
Total Flow Control Vertical valuation	14,040	15,507	2.2
Total US Micro-cap (Verticals)	***96,093***	***146,781***	***21.2***

Investment Portfolio continued

	29 February 2020 Cost[1] US$'000	Value US$'000	Percentage of portfolio %
US Micro-cap portfolio (continued)			
US Micro-cap (Co-investments)			
ABTB			
Acquirer of franchises within the fast-casual eateries and quick-service restaurants sector	8,256	8,256	1.2
DEFLECTO			
Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	40,112	38,323	5.5
GEORGE INDUSTRIES			
Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,179	12,177	1.8
IGLOO[2]			
Designer, manufacturer and marketer of coolers and outdoor products	6,040	1,450	0.2
K2 TOWERS II			
Acquirer of wireless communication towers	8,466	10,966	1.6
NEW VITALITY[2]			
Direct-to-consumer provider of nutritional supplements and personal care products	3,354	8,996	1.3
ORANGEWOOD PARTNERS II-A LP			
Private fund managed by Orangewood Partners currently invests in K2 Towers II (see above) and Exer Urgent Care an urgent care operator.	6,754	6,754	1.0
ORIZON			
Manufacturer of high precision machine parts and tools for aerospace and defence industries	4,127	7,065	1.0
PEACEABLE STREET CAPITAL			
Specialty finance platform focused on commercial real estate	28,041	36,541	5.3
SALTER LABS[2]			
Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	21,778	3.1
SLOAN LED[2]			
Designer and manufacturer of LED lights and lighting systems	6,030	–	–
SUZO HAPP GROUP[2]			
Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.7
VITALYST[2]			
Provider of outsourced IT support and training services	9,020	8,192	1.2
Total US Micro-cap (Co-investments)	***151,713***	***172,198***	***24.9***
US Micro-cap (Other)			
AVANTE HEALTH SOLUTIONS			
Provider of new and professionally refurbished healthcare equipment	7,185	9,588	1.4
FELIX STORCH			
Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	50	24,500	3.5
HEALTHCARE PRODUCTS HOLDINGS[3]			
Designer and manufacturer of motorised vehicles	17,636	–	–
NATIONWIDE STUDIOS			
Processor of digital photos for pre-schoolers	26,324	5,000	0.7
TIERPOINT[2]			
Provider of cloud computing and colocation data centre services	44,313	46,813	6.8
Total US Micro-cap (Other)	***95,508***	***85,901***	***12.4***
Total US Micro-cap portfolio	***343,314***	***404,880***	***58.5***

	29 February 2020 Cost[1] US$'000	Value US$'000	Percentage of portfolio %
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P.			
Invested in European Micro-cap entities	169	2,732	0.4
JZI FUND III, L.P.			
At 29 February 2020, was invested in thirteen companies in the European micro-cap sector: Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Eliantus, Factor Energia, BlueSites, Luxida, Karium and UFASA	48,513	68,887	9.9
Total European Micro-cap (measured at Fair Value)	***48,682***	***71,619***	***10.3***
Direct Investments			
DOCOUT[5]			
Provider of digitalisation, document processing and storage services	2,777	3,827	0.6
OMBUDS[5]			
Provider of personal security, asset protection and facilities management services	17,198	–	–
TORO FINANCE[5]			
Provides short term receivables finance to the suppliers of major Spanish companies	21,619	23,078	3.3
XACOM[5]			
Supplier of telecom products and technologies	2,055	4,067	0.6
Total European Micro-cap (Direct Investments)	***43,649***	***30,972***	***4.5***
Total European Micro-cap portfolio	***92,331***	***102,591***	***14.8***
Real Estate portfolio			
JZCP REALTY[4]			
Facilitates JZCP's investment in US real estate	442,264	158,712	22.9
Total Real Estate portfolio	***442,264***	***158,712***	***22.9***
Other investments			
BSM ENGENHARIA			
Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	0.1
CERPI			
Spruceview managed investment product	1,056	1,056	0.2
JZ INTERNATIONAL[3]			
Fund of European LBO investments	–	750	0.1
SPRUCEVIEW CAPITAL			
Asset management company focusing primarily on managing endowments and pension funds	31,255	20,338	2.9
Total Other investments	***38,426***	***22,603***	***3.3***
Listed investments			
US Treasury Bill – Maturity 14 May 2020	3,385	3,386	0.5
Total Listed investments	***3,385***	***3,386***	***0.5***
Total – portfolio	***919,720***	***692,172***	***100.0***

[1] Original book cost incurred by JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.
[2] Co-investment with Fund A, a Related Party (Note 23).
[3] Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.
[4] JZCP invests in real estate indirectly through its investments in JZCP Realty Ltd. JZCP owns 100% of the shares and voting rights of JZCP Realty, Ltd.
[5] Classified as Loans at Amortised Cost.

Board of Directors

David Macfarlane (Chairman)[1]

Mr Macfarlane was appointed to the Board of JZCP in 2008 as Chairman and a non-executive Director. Until 2002 he was a Senior Corporate Partner at Ashurst. He was a non-executive director of the Platinum Investment Trust Plc from 2002 until January 2007.

James Jordan

Mr Jordan is a private investor who was appointed to the Board of JZCP in 2008. He is a director of the First Eagle family of mutual funds, and of Alpha Andromeda Investment Trust Company, S.A. Until 30 June 2005, he was the managing director of Arnhold and S. Bleichroeder Advisers, LLC, a privately owned investment bank and asset management firm; and until 25 July 2013, he was a non-executive director of Leucadia National Corporation. He is an Overseer of the Gennadius Library of the American School of Classical Studies in Athens, and as Director of Pro Natura de Yucatan.

Sharon Parr[2]

Mrs Parr was appointed to the Board of JZCP in June 2018. In 2003 she completed a private equity backed MBO of the trust and fund administration division of Deloitte and Touche, called Walbrook, selling it to Barclays Wealth in 2007. As a Managing Director of Barclays, she ultimately became global head of their trust and fund administration businesses, comprising over 450 staff in 10 countries. She stepped down from her executive roles in 2011 to focus on other areas and interests but has maintained directorships in several companies. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Practitioners, and is a resident of Guernsey.

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in April 2008. She was on the board of JZ Equity Partners Plc from January 2005 until the company's liquidation on 1 July 2008. She was managing director at Fairway Investment Partners, a Swiss asset management company where she was responsible for the Group's marketing and co-managed two fund of funds. Previously she was an executive at the Swiss Stock Exchange and currently serves on the board of several private companies. Ms Tibaldi intends to retire from the Board at the Company's AGM in August 2020.

Patrick Firth

Mr Firth resigned from the Board and as Chairman of the Audit Committee on 27 June 2019.

Christopher Waldron

Mr Waldron resigned from the Board on 26 November 2019.

[1] Chairman of the Nominations Committee of which all Directors are members.
[2] Chair of the Audit Committee of which all Directors are members.

Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners ("JZCP" or the "Company") for the year ended 29 February 2020.

Principal Activities

JZ Capital Partners Limited is a closed-ended investment company with limited liability which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is subject to the Companies (Guernsey) Law, 2008. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's Ordinary shares, ZDP Shares and CULS are traded on the London Stock Exchange's Specialist Fund Segment.

The Company's Investment Policy has been to target predominantly private investments, seeking to back exceptional management teams to deliver on attractive investment propositions. In executing its strategy, the Company takes a long term view.

The Company focused on investing in the following areas, and is now focused on supporting these investments:

(a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
(b) US real estate interests.

The Investment Adviser has taken a dynamic approach to asset allocation. However, the Company has sought to maintain a broad spread of investment risk. Exposures are monitored and managed by the Investment Adviser under the supervision of the Board. The Investment Adviser is able to invest globally but with a particular focus on opportunities in the United States and Europe.

The Company's shareholders are due to vote on proposed changes to the Company's investment policy. Under the proposals, the Company will make no further investments except in respect of which it has existing obligations or to the extent that investment is required to support existing investments. The intention is to realise the maximum value of its investments and, after repayment of all debt, to return capital to shareholders.

Business Review

The total loss attributable to Ordinary shareholders for the year ended 29 February 2020 was $304,549,000 (year ended 28 February 2019: loss of $6,835,000).

The net asset value ("NAV") of the Company at the year end was $475,734,000 (28 February 2019: $810,262,000) equal to $6.14 (28 February 2019: $10.04) per Ordinary share. The loss recorded for the year ended 29 February 2020 is largely attributable to valuation write downs in the Company's real estate portfolio.

A review of the Company's activities and performance is detailed in the Chairman's Statement on pages 4 to 6 and the Investment Adviser's Report on pages 7 to 12. The valuations of the unlisted investments are detailed on pages 21 to 23.

The implications of coronavirus ("COVID-19") on the Company, are further explained in this report. At the date of signing this report, the Board have been unable to quantify the impact on the valuation of the portfolio. It is noted that in accordance with IFRS, the Board have judged any quantifiable impact on the portfolio would not have been included within the 29 February 2020 valuations but would have been reported as a non-adjusting event within the Subsequent Events note in the financial statements, as the lock down impacting the Company's underlying investments occurred after the year end.

Principal Risks and Uncertainties

The Company's Board believes the principal risks and uncertainties that relate to an investment in JZCP are as follows:

COVID-19

The impact of the COVID-19 outbreak evolved rapidly during 2020. The World Health Organization declared the outbreak of coronavirus to be a Public Health Emergency of International Concern on 30 January 2020 and recognised it as a pandemic on 11 March 2020.

The Company is reporting its annual results as at 29 February 2020; this was also the date the United States announced its first coronavirus death and the Trump administration first announced travel restrictions to/from areas that at the time were the most affected by the virus. At this date, the Company's underlying investee portfolio was largely unaffected by the virus with only minimal impacts on the supply chains for some micro-cap investments. The full impact on the economy of the eventual 'lockdown' in the US, Europe and much of the rest of the world, required to restrict contagion was not fully envisaged.

Report of the Directors continued

The Board continue to monitor the impact of COVID-19 on the Company's investments and its on-going viability. As the outbreak continues to evolve, it is difficult, at this juncture, to estimate the full extent and duration of the impact on the Company.

As disclosed in the Board's Going Concern Assessment below and on pages 27 and 28, the market conditions generated by COVID-19 have resulted in uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

NAV Factors

(i) Macroeconomic Risks

The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of real estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 15% of the Company's investments are denominated in non-US dollar currencies, primarily the euro. Also the Company has issued debt denominated in non-US dollar currencies, primarily sterling. Fluctuations to these exchange rates will affect the NAV of the Company.

(ii) Underlying Investment Performance

The Company is reliant on the Investment Adviser to source and execute suitable investment opportunities. The Investment Adviser provides to the Board an explanation of all investment decisions and also quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed long term investment strategy.

Portfolio Liquidity

The Company invests predominantly in unquoted companies and real estate. Therefore, this potential illiquidity means there can be no assurance investments will be realised at their latest valuation. The Board considers this illiquidity when planning to meet its future obligations, whether committed investments or the repayment of debt facilities or the future repayment of CULS and ZDP shares. On a quarterly basis, the Board reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

Gearing and Financing Costs in the real estate Portfolio

The cost of servicing debt in the underlying real estate structures may impact the net valuation of the real estate portfolio and subsequently the Company's NAV. Gearing in the underlying real estate structures will increase any losses arising from a downturn in property valuations.

Share Price Trading at Discount to NAV

JZCP's share price is subject to market sentiment and will also reflect any periods of illiquidity when it may be difficult for shareholders to realise shares without having a negative impact on share price. The Directors review the share price in relation to Net Asset Value on a regular basis and determine whether to take any action to manage the discount. The Directors with the support of the Investment Adviser work with brokers to maintain interest in the Company's shares through market contact and research reports.

Operational and Personnel

Although the Company has no direct employees, the Company considers what dependence there is on key individuals within the Investment Adviser and service providers that are key to the Company meeting its operational and control requirements.

Other than the associated risks of COVID-19, the Board considers the principal risks and uncertainties above are consistent with the prior year. The Board recognises the Company will have an increased exposure to liquidity risk as future debt obligations near maturity, for other risks noted the Company's exposure to these risks is neither greater nor any less during the year ended 29 February 2020 compared to the year ended 28 February 2019.

Going Concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

In the context of the delay in realising assets as previously announced, the potential impact on the repayment of the Guggenheim facility and the CULS together with the COVID-19 impact on valuation of the Company's investment portfolio and related loan covenants, there are material uncertainties which cast significant doubt on the ability of the Company to continue as a going concern. However the financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit Committee, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching its conclusion, the Board have considered the risks that could impact the Company's liquidity over the period to 31 July 2021. This period, which is longer than the required period of 12 months, has been considered to be relevant due to the repayment date for the Company's CULS being only 43 days after the 12 month period.

As part of their assessment the Audit Committee highlighted the following key considerations:

1. *Whether, the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 31 July 2021*
2. *Whether, in the event that the realisation events previously referred to do not materialise before the expiration of the current loan facility and the repayment date of the CULS, the Company is able to implement an alternative plan for refinancing the loan facility within the required timeframe*
3. *COVID-19 impact on valuation of the Company's investment portfolio and related loan covenants*
4. *Valuation losses incurred by the Company during the year ended 29 February 2020*

1. Whether, the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 31 July 2021

As at 31 May 2020, the Company had cash and cash equivalents of approximately $43 million which offers over 6 months of liquidity cover assuming no income from realisations and making payments as forecast for follow-on investments, debt financing and ongoing expenses and the retainment of $15 million cash required for current loan covenant.

The Company has two major debt obligations to settle towards the end of the going concern period being:

i) the Loan facility with Guggenheim of approximately $150 million due for settlement on 12 June 2021; and
ii) CULS for settlement value of £38.9 million (approximately $50 million) due for settlement on 30 July 2021.

It is anticipated that the liquidity required to settle the debt obligations mentioned above, and other ongoing obligations in 2021, will be generated from realisations within the going concern period. These forecast realisations include two anticipated secondary sales of several micro-cap companies and also certain other assets. Total realisation proceeds of approximately $260 million are expected from the aforementioned events.

Prior to the COVID-19 pandemic and the resulting lockdown some of these realisation events were close to completion. Whilst the Board still expects these transactions to complete, the timing of the closure of the transactions depends largely on the length and severity of the COVID-19 lockdown. The Directors have also considered the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts whilst concluding on the accuracy of the forecast.

2. Whether, in the event that the realisation events referred to in (1) do not materialise before the expiration of the current loan facility and the repayment of the CULS, the Company is able to implement alternative plans for refinancing within the required timeframe.

JZAI personnel manage the relationship with the Company's lender, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 29 February 2020, the Company has continued to be in compliance with covenant terms and made all scheduled interest payments on time. Post year end, the Company obtained agreement from the parties to the loan facility for an extension to the time for delivery of this annual report, the release of which was delayed on account of COVID-19. Discussions are also ongoing regarding amendments to the loan agreement to ensure any risk of breach of covenant in light of the uncertainties caused by COVID-19 over post year end valuations is avoided.

Report of the Directors continued

3. COVID-19 impact on valuation of the Company's investment portfolio and related loan covenants

The Board recognise the high degree of uncertainty in respect of the dynamic situation which has unfolded with COVID-19 and is currently unable to assess the likely duration and exact impact to the Company of the outbreak.

Whilst the effect of COVID-19 on the valuation of the Company's investment portfolio cannot yet be estimated, there is an expectation that there will be further write downs within the real estate portfolio following the interim appraisals and also a lengthy lockdown period, especially in the US, could adversely affect the valuation of the company's micro-cap portfolio.

Post year end, the Board has received regular updates from the Investments Adviser of the impact of COVID-19 on the individual investments within the Company's investment portfolio. To enable the Board to assess the ongoing risk to the Company posed by the virus, information has been provided on the following business aspects of portfolio companies:

- Demand for product/service;
- Supply Chain & operational issues;
- Flexibility and adaptability of workforce to perform duties;
- Financial Strength of Company – Liquidity Issues; and
- Support received from Government programmes.

The pandemic has unfortunately created an environment where the completion of corporate transactions has predominantly stalled. Therefore, the Company have had to consider the effect on liquidity. The Board have concluded that they have a reasonable expectation that delays in scheduled realisations will be short-lived and completed as financial markets return to a level of normality.

Future valuation losses may impact compliance with covenants placed on the Company's loan facility which require a 4x asset value cover. The Board note the current collateral/loan ratio is 4.5x and a further fall in the NAV of approx. $70 million would see the required 4x cover of this loan covenant breached. Discussions are ongoing between the Company and Guggenheim, in part regarding the amendment of the loan agreement to ensure any risk of breach of covenant is avoided in light of the uncertainties caused by COVID-19 over post year end valuations.

4. Valuation losses incurred by the Company during the year ended 29 February 2020

The Company has incurred losses of $304.5 million during the year ended 29 February 2020. As previously announced towards the latter half of 2019, the Company has dramatically revised downwards its valuation of its real estate portfolio.

The Board have assessed that these losses, as they are valuation related, have not impacted or created a material uncertainty around the Company's ability to continue in existence as a going concern.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period ending 31 July 2021.

However, of the four key considerations identified above the Board have concluded that three of them create material uncertainties which cast significant doubt over the ability of the Company to continue as a Going Concern, being:

- Whether, the Company will be able to generate sufficient realisation proceeds before the expiration of the current loan facility and repayment of the CULS;
- In the event sufficient realisation proceeds referenced above are not generated the Company is able to implement alternative plans within a timetable agreed with its lenders; and
- The full impact of COVID-19 on the valuation of the Company's investment portfolio and related loan covenants is not currently known.

The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Viability Statement

In accordance with the UK Corporate Governance Code (the "UK Code") the Board has assessed the expectations that the Company will be able to continue in operation and meet ongoing debt obligations. In order to make the assessment the Board has carried out a robust review of the Company's principal risks and uncertainties, as noted above, to which the Company is exposed and that potentially threaten future performance and liquidity and has assessed the Company's current position and prospects as detailed in the Chairman's statement and Investment Adviser's report. The period covered by the viability statement is the next three financial years to 28 February 2023.

As set out in the going concern statement, the viability of the Company is dependent entirely on actions that are being and will be taken over the course of the going concern period ended 31 July 2021. However, there are material uncertainties which cast significant doubt over the ability of the Company to continue as a going concern and its longer-term viability, being:

- Whether, the Company will be able to generate sufficient realisation proceeds before the expiration of the current loan facility and repayment of the CULS;
- In the event sufficient realisation proceeds referenced above are not generated the Company is able to implement alternative plans within a timetable agreed with its lenders; and
- The full impact of COVID-19 on the valuation of the Company's investment portfolio and related loan covenants is not currently known.

The Directors have continued to use the period of three years to assess viability that has been used historically. This period is considered appropriate as the actions will be directed at achieving liquidity from sales of investments, at a level that will reasonably ensure the longer-term viability of the operations of the Company. The Board will continue to review the period of assessment on an annual basis and may in future adjust if considered appropriate.

In reaching its conclusion on the Company's viability, the Directors have considered the following:

(i) Recent Events

Reduction in Company's Net Asset Value

As noted in the Going Concern Assessment on pages 26 to 28, during the February 2020 fiscal year, the Company suffered valuation losses with its NAV being decreased by approx. 41% over the year. This reduction has weakened the Company's balance sheet and the Board have subsequently had to consider the impact on the liquidity of the Company.

In order to stabilise the Company's balance sheet, the Board are focused on repaying debt. Investment is being curtailed to commitments and what is necessary to maximise the value of the existing portfolio. No repayment of capital will be made to shareholders until debt obligations have been met.

COVID-19

The Board and Investment Adviser are continuing to monitor the impact and consequences of the virus on the Company and its investments (as noted on pages 26 to 28.)

(ii) Financing obligations

Guggenheim Loan – Maturity date 12 June 2021

The loan facility has a maturity date of June 2021, the balance outstanding to Guggenheim Partners at 29 February 2020 was approximately $150 million. It is expected the debt facility will be repaid in full or part from the proceeds of realisations and/or refinancing of investments. The Investment Adviser and Guggenheim Partners are in ongoing discussions regarding amendments to the loan agreement to ensure any risk of a breach of covenant is avoided by providing Guggenheim Partners with assurance that a percentage of any realisation proceeds will be utilised to pay down the debt.

The Board and Investment Adviser will continue to review the option of potentially extending the maturity date or rolling a smaller amount into a new facility to aid future liquidity.

Convertible Unsecured Loan Stock – Maturity date 30 July 2021

The Company will redeem CULS in July 2021 amounting to £38.9 million (approx. $50 million at year end exchange rate), assuming holders of CULS do not convert their holdings to equity. It is expected the redemption of the CULS will be met from the proceeds of realisations and/or refinancing of investments.

Zero Dividend Preference (2022) shares – Maturity date 1 October 2022

JZCP is due to redeem £57.6 million (est. $73.6 million at year end exchange rate), of ZDP shares on 1 October 2022, again it is expected the redemption of the ZDPs will be met from the proceeds of realisations and/or refinancing of investments.

Commitments

At 17 June 2020, JZCP had financial commitments of $50.4 million outstanding in relation to fund investments.

Report of the Directors continued

(iii) Investment performance and portfolio liquidity

The Board reviews, on a quarterly basis, the valuation and prospects of all underlying investee companies. The performance of JZCP's real estate portfolio has limited the potential to realise liquidity from this portfolio and therefore increased the risk to both liquidity and therefore viability. The Board however, are satisfied in large with the performance of the JZCP's micro-cap portfolios and believe there will be suitable realisation opportunities and proceeds in order for the Company to meet its debt and other obligations. JZCP's micro-cap portfolio has averaged annual realisations of $137 million over the five years ending 29 February 2020. JZAI is currently pursuing various opportunities to realise value, whilst COVID-19 has delayed both the investment and realisation activity, the Board have concluded that they have a reasonable expectation that this is a relatively short-term issue.

(iv) Loan covenants

At 29 February 2020, investments and cash valued at $668 million were held as collateral on the Guggenheim loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of $15 million plus 50% of interest on any new debt. The Board note the current collateral/loan ratio is 4.5x and a further fall in the NAV of approx. $70 million would see this covenant on the loan breached. As a result discussions are ongoing regarding amendments to the loan agreement to ensure any risk of a breach of covenant is avoided.

(v) Mitigation of other risks as outlined in the Principal Risks and Uncertainties (detailed on pages 25 to 26).

Conclusion

In concluding on the viability of the Company, the Directors have concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment. They consider the going concern assumptions, material uncertainties and conclusion set out above to be relevant.

Dividends

No dividends were paid or proposed for the years ended 29 February 2020 and 28 February 2019.

Ongoing Charges

Ongoing charges for the years ended 29 February 2020 and 28 February 2019 have been prepared in accordance with the Association of Investment Companies ("AIC") recommended methodology. The ongoing charges ratio represents annualised recurring operational expenses as a percentage of the average net asset value. The Ongoing charges for the year ended 29 February 2020 were 2.71% (28 February 2019: 2.42%) excluding incentive fees of -4.97% being the reversal of prior year provision (28 February 2019: 0.30%).

Directors

The Directors listed below, who served on the Board during the year are all deemed independent and non-executive, other than Patrick Firth and Christopher Waldron they were in office at the end of the year and subsequent to the date of this report. The biographical details of the Directors are shown on page 24.

David Macfarlane (Chairman)
James Jordan
Sharon Parr
Tanja Tibaldi
Patrick Firth (resigned 27 June 2019)
Christopher Waldron (resigned 26 November 2019)

Substantial Shareholders

As at 17 June 2020, the Company has been notified in accordance with the Disclosure Guidance and Transparency Rules of the following interests of 5% or more of the total Ordinary share capital of the Company. The number and percentage of Ordinary shares relate to the number informed by shareholders on the relevant notification rather than the current share register. The number and percentage of Ordinary shares set out below for each substantial shareholder will therefore not take account of any Ordinary shares bought or sold by them or the effect of any share buy backs undertaken by the Company on their shareholdings, in each case, not so notified as required by, or in accordance with, the Disclosure Guidance and Transparency Rules.

Substantial Shareholders continued

	Ordinary shares	% of Ordinary shares
Edgewater Growth Capital Partners L.P.	18,335,944	23.7%
David W. Zalaznick	10,550,294	13.6%
John W. Jordan II & Affiliates	10,550,294	13.6%
Leucadia Financial Corporation	8,021,552	10.4%
Abrams Capital Management L.P.	7,744,366	10.0%
Arnhold, LLC	4,573,007	5.9%
Finepoint Capital L.P.	4,413,067	5.7%

The percentage of Ordinary shares shown above represents the ownership of voting rights at the year end, before weighting for votes on Directors.

It is the responsibility of the shareholders to notify the Company of any change to their shareholdings when it reaches 5% of shares in issue and any subsequent change when the shareholding increases or decreases by a further 5% (up to 30% of shares in issue i.e. 10%, 15%, 20%, 25% and 30%) and thereafter 50% and 75%.

Share Capital, Purchase of Own Shares and Convertible Unsecured Loan Stock "CULS"

The beneficial interests of the Directors in the Ordinary shares of the Company are shown below:

	Number of Ordinary shares at 1 March 2019	Purchased in year	Sold in year	Number of Ordinary shares at 29 February 2020
David Macfarlane	74,800	–	(3,250)	71,550
James Jordan	40,800	–	(1,676)	39,124
Tanja Tibaldi	2,720	–	–	2,720
Patrick Firth[1]	5,440	(see below)		
Christopher Waldron[2]	4,000	(see below)		
	127,760	–	(4,926)	113,394

[1] Patrick Firth held 5,440 shares at 1 March 2019 and on his retirement from the board at 27 June 2019.
[2] Christopher Waldron held 4,000 shares at 1 March 2019 and 3,827 on his retirement from the board at 26 November 2019.

The beneficial interests of the Directors in the CULS of the Company are shown at 29 February 2020 (no change from 28 February 2019 position):

	Number of CULS of £10 nominal value
David Macfarlane	734
Tanja Tibaldi	367
	1,101

None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests of any share class between 29 February 2020 and the date of this report.

Details of the ZDP shares and the Ordinary shares can be found in Notes 15 and 18 on pages 81 and 83. Details of the CULS can be found in Note 14 on page 81.

Report of the Directors continued

Annual General Meeting

The Company's Annual General Meeting is due to be held on 12 August 2020.

Engaging with Stakeholders

In line with best practice, and under the 2019 AIC Code of Corporate Governance (the "AIC Code"), the Board is required to ensure effective engagement with, and participation from, its shareholders and stakeholders. The Board should also understand the views of the Company's key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.

The Board identifies its key stakeholders as the following:

- Shareholders and prospective investors
- JZAI, the Investment Adviser of its portfolio investments and other service providers

The Company has no employees.

Engaging with Shareholders

The Directors believe that the maintenance of good relations with both institutional and retail shareholders is important for the long term prospects of the Company. It therefore seeks active engagement with investors, bearing in mind the duties regarding equal treatment of shareholders and the dissemination of inside information. The Board receives feedback on shareholder views from its Corporate Broker and Investment Adviser, and is circulated with Broker reports on the Company.

The Board believes that the Annual General Meeting, a meeting for all shareholders, is the key point in the year when the Board of Directors accounts to all shareholders for the performance of the Company. In usual circumstances the Directors encourage all shareholders to attend where Directors will be present and available to engage with shareholders. In light of COVID-19, shareholders should refer to the Notice of AGM for guidance on physical attendance at this year's meeting.

The Board believes that the Company policy of reporting to shareholders as soon as possible after the Company's year end and the holding of the Annual General Meeting at the earliest opportunity is valuable.

The Company also provides an Interim Report and Accounts in accordance with IAS 34 and usually provides Interim Management statements for the quarterly periods. No Interim Management statement was issued for the quarterly period ended 30 November 2019 or will be for the quarter ended 31 May 2020, due to the delayed release of the interim financial statements and annual report. In addition, considering the uncertainties about valuation that result from COVID-19, the Company will be suspending its monthly NAV announcements until circumstances allow for more informed judgements as to value.

Engaging with Service Providers

The Board visits the Investment Adviser at least annually for a comprehensive review of the portfolio, its valuation methodology and general strategy. The Board are also in regular communication with the Investment Adviser to discuss the Company's strategy as well as being kept up to date with portfolio matters.

A Management Engagement Committee, was established in 2018, to review the performance and contractual arrangements of the Company's service providers. The Board look to engage with service providers and encourage communication of any concerns of matters arising and deal with them appropriately.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations. Guernsey Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- confirm that there is no relevant audit information of which the Company's Auditor is unaware; and
- confirm that they have taken all reasonable steps which they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008 and International Financial Reporting Standards as adopted by the European Union ("IFRS"). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

Responsibility Statement of the Directors in respect of the Financial Statements

The Directors confirm that to the best of their knowledge:

- the Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities and financial position, and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure Guidance and Transparency Rules of the UK Listing Authority; and
- the Directors confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance and strategy.

Directors' Statement

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and signed on behalf of the Board on 17 June 2020.

David Macfarlane
Chairman

Sharon Parr
Director

Corporate Governance

Introduction

As a UK listed Company, JZCP's governance policies and procedures are based on the principles of the UK Corporate Governance Code as required under the Disclosure Guidance and Transparency Rules. The UK Code is available on the Financial Reporting Council's website, www.frc.org.uk. The Company is subject to the GFSC Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies that report against the UK Code or AIC Code are deemed to meet the GFSC Code. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to Shareholders.

Throughout the accounting period the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors remuneration;
- the need for an internal audit function;
- appointment of a senior independent director; and
- whistle blowing policy.

The Board considers these provisions are not relevant to the position of JZ Capital Partners Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle blowing policy is required. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle blowing policies and procedures and have received confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board. There have been no other instances of non-compliance, other than those noted above.

Guernsey Code of Corporate Governance

The Guernsey Financial Services Commission's (the "GFSC") "Finance Sector Code of Corporate Governance" (the "Guernsey Code") came into effect on 1 January 2012 and was subsequently amended on 18 February 2016. The introduction to the Guernsey Code states that companies which report against the UK Corporate Governance Code or the AIC's Code of Corporate Governance are deemed to meet the Guernsey Code.

The Board

Corporate Governance of JZCP is monitored by the Board which at the end of the year comprised four Directors, all of whom are non-executive. Biographical details of the Board members at the date of signing these Financial Statements are shown on page 24 and their interests in the shares of JZCP are shown in the Report of the Directors on page 31. The Directors' biographies highlight their wide range of relevant financial and sector experience.

Directors' Independence

The Board continually considers the independence of the Directors, including in light of the circumstances which are set out in the AIC Code as likely to impair a director's independence.

There are no circumstances that exist, including those under the AIC Code (2019), which the Board considers likely to impair the independence of any of the Directors.

A number of the Directors have, however, served on the Board for a period of longer than nine years which is one of those circumstances set out in the AIC Code. The conclusion the Board has reached is that despite having served on the Board for more than nine years, this has not impacted the independence of such Directors. However, the Board will continue to assess on an annual basis how length of service could impair judgement and decision making both on the basis of an individual Director and the Board as a whole.

Further details on the Board's processes and criteria for the appointment of directors can be found under the section of this Annual Report detailing the work of the Nomination Committee (page 36).

Succession Planning

The Board acknowledges that the Board and its Committees should have a combination of skills, experience and knowledge and that membership should be regularly refreshed. The Board annually evaluates its composition, diversity and how effectively each member contributes and how they work together to achieve objectives. Further details on the evaluation of the Board and its Committees can be found below in this section of the Annual Report.

During the fiscal year, both Patrick Firth and Chris Waldron resigned from the Board. Tanja Tibaldi intends to retire from the board at the forthcoming Annual General Meeting and further Board refreshment is intended at the Annual General Meeting in 2021. The Board is currently looking to recruit an additional Guernsey resident director.

Chairman Tenure

The Board's policy on the Chairman's tenure is that continuity and experience are considered to add significantly to the strength of the Board and as such these attributes need to be weighed against any advantages that a new appointment may bring. Therefore, no limit on the overall length of service of the Chairman is imposed.

The Chairman has served on the Board since the Company's inception (April 2008), the Board therefore acknowledges that succession to the role needs to be anticipated in line with effective succession planning. In the 2019 Annual Report, it was noted a substantial refreshment of the board was planned to take place in 2021, including the appointment of a new Chairman. In the light of the events of the last fiscal year the Chairman will continue to oversee the stabilisation of the Company. The Chairman will continue to seek re-election to the Board annually.

Proceedings of the Board

The Directors have overall responsibility for the Company's activities and the determination of its investment policy and strategy. The Company has entered into an investment advisory and management agreement with its Investment Adviser, JZAI, pursuant to which, subject to the overall supervision of the Directors, the Investment Adviser acts as the investment manager to the Company and manages the investment and reinvestment of the assets of the Company in pursuit of the investment objective of the Company and in accordance with the investment policies and investment guidelines from time to time of the Company and any investment limits and restrictions notified by the Directors (following consultation with the Investment Adviser). Within its strategic responsibilities, the Board regularly considers corporate strategy as well as dividend policy, the policy on share buy backs and corporate governance issues.

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile, gearing strategy and performance of the Company and the performance of the Company's functionaries, and monitoring compliance with the Company's objectives.

The Directors visit the Investment Adviser at least annually for a comprehensive review of the portfolio, its valuation methodology and general strategy. The Directors deem it appropriate to review the valuations of the investment portfolio on a quarterly basis. The schedule of Board and Committee meetings is shown on page 37.

Continuing terms of Investment Adviser agreement

In the opinion of the Directors, the continuing appointment of the Investment Adviser on the terms agreed continues to be in the interests of Shareholders. In reaching its conclusion the Board considers the Investment Adviser's performance, expertise and ability in effectively assisting the management of portfolio companies.

Supply of information

The Chairman ensures that all Directors are properly briefed on issues arising at, and when necessary in advance of, Board meetings. The Company's advisers provide the Board with appropriate and timely information in order that the Board may reach proper decisions. Directors can, if necessary, obtain independent professional advice at the Company's expense.

Directors' training

The Board is provided with information concerning changes to the regulatory or statutory regimes as they may affect the Company, and are offered the opportunity to attend courses or seminars on such changes, or other relevant matters. An induction programme is available for any new Director appointments. The induction programme offers training about the Company, its managers, their legal responsibilities and investment company industry matters.

Chairman and Senior Independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to third party service providers. Chris Waldron was appointed as Senior Independent Director on 7 May 2019 until his resignation on 26 November 2019. No further appointment to this role has yet been made.

Corporate Governance continued

Board diversity
The Board has also given careful consideration to the recommendations of the Davies Review and the findings of the Hampton-Alexander Review on the evolving gender diversity debate. The Board continues to review its composition in terms of diversity, appropriate range of skills and experience and the Board is committed to ensuring that diversity is considered when appointments to the Board are under consideration – as indeed has always been its practice.

Re-election of Directors
Previously, each Director having served longer than nine years was subject to annual re-election and each Director having served less than nine years was subject to re-election at the third annual general meeting after appointment or (as the case may be) the general meeting at which he or she was last appointed. In line with the 2019 AIC Code of Corporate Governance, all Directors are now subject to annual re-election.

The Board's evaluation
The Board, Audit Committee, and Nomination Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of its members. This process is conducted by the Chairman reviewing each member's performance, contribution and their commitment to the Company. The Board as a whole reviews the performance of the Chairman. Each Board member is also required to submit details of training they have undertaken on an annual basis. Currently, no third party evaluation of the Directors effectiveness is undertaken. The results of the evaluation process concluded the Board was functioning effectively and the Board and its committees provided a suitable mix of skills and experience.

Board Committees
In accordance with the AIC Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. The identity of each of the Chairmen of the committees referred to below is reviewed on an annual basis. The Board, consisting of all non-executive Directors, has decided that the entire Board should fulfil the role of the Audit and Nomination Committees. The terms of reference of the committees are kept under review and can be viewed on the Company's website www.jzcp.com.

Nomination Committee
In accordance with the Code, the Company has established a Nomination Committee. The Nomination Committee leads the process for all board appointments, oversees the development of and reports on, amongst other things, its approach to a diverse pipeline for succession.

The Nomination Committee takes into consideration the Code's rules on independence of the Board in relation to the Company, its senior management and major shareholders. The Nomination Committee is chaired by David Macfarlane, and each of the other Directors is also a member. The members of the committee are independent of the Investment Adviser. The Nomination Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board.

Due to the nature of the Company being a listed investment company investing in private equity with an international shareholder base, the Company needs Directors with a broad range of financial experience. For this reason, Directors use external consultants as well as using their own contacts to identify suitable candidates.

The final decision with regard to appointments always rests with the Board and all such appointments are subject to confirmation by shareholders.

Audit Committee
The Audit Committee is chaired by Sharon Parr (as from 27 June 2019), prior to this date it was chaired by Patrick Firth, before his resignation from the Board. All the other Directors are members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. All members have the necessary financial and sector experience to contribute effectively to the Committee. The Audit Committee meets at least twice a year and meets the external auditors at least twice a year. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee also considers the nature, scope and results of the auditors' work and reviews, and develops and implements policies on the supply of any non-audit services that are to be provided by the external auditors.

Post year end, the Audit Committee has re-considered whether the Company is able to continue as a going concern for the period ending 31 July 2021 and whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so. Also, the Audit Committee, has considered the Company's current position and principal risks, and assessed the prospects of the Company, over the viability period of three years to 28 February 2023.

The work undertaken by the Audit Committee is further described on pages 41 to 44 of the Audit Committee Report and the recommendations to the Board made by the Audit Committee, regarding the going concern and viability of the Company are detailed in the Directors' Report (pages 26 to 30).

Management Engagement Committee
The Management Engagement Committee is chaired by David Macfarlane and comprises the entire Board. Responsibilities include reviewing the performance and contractual arrangements of the Company's service providers.

Remuneration Committee
In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as prescribed by the AIC Code. The process for agreeing the non-executive Directors' fees is set out in the Directors' Remuneration Report on page 39.

Board and Committee meeting attendance
The number of formal meetings of the Board and its committees held during the fiscal year and the attendance of individual Directors at these meetings was as follows:

			Number of meetings			
	Board Main	**AGM**	Ad Hoc Meetings	Audit Committee	Nomination Committee	Management Engagement Committee
Total number of meetings	**5**	**1**	**20**	**2**	**–**	**1**
David Macfarlane	**5**	**1**	19	2	–	1
James Jordan	**5**	**1**	15	2	–	1
Sharon Parr	**5**	**1**	20	2	–	1
Tanja Tibaldi	**5**	**1**	14	2	–	1
Patrick Firth (resigned 27 June 2019)	**1**	**1**	4	1	–	–
Christopher Waldron (resigned 26 November 2019)	**4**	**1**	12	1	–	–

The main Board meetings are held to agree the Company's valuation of its investments, agree the Company's financial statements and discuss and agree other strategic issues. Other meetings are held when required to agree board decisions on ad-hoc issues.

UK Criminal Finances Act 2017
In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as Modern Slavery and General Data Protection Regulation, and will report on those to the extent they are considered relevant to the Company's operations.

Internal Controls
The Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness on an annual basis. The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Corporate Governance continued

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is reviewed by the Board and is in accordance with the Internal controls: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the principal risks affecting the Company and the policies by which these risks are managed.

The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services.

Even though the Board has delegated responsibility, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly board meeting, compliance reports are provided by the Administrator, Company Secretary and Portfolio Manager. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its quarterly meetings and annually by the Board.

The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

International Tax Reporting

For purposes of the US Foreign Account Tax Compliance Act ("FATCA"), the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number CAVBUD.999999.SL.831, and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted by Guernsey and which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied.

The Board will take necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

Directors' Remuneration Report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of shareholders.

Remuneration Policy

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

The Company's Articles state that Directors' remuneration payable in any accounting year shall not exceed in the aggregate an annual sum of US$650,000. Each Director is also entitled to reimbursement of their reasonable expenses. There are no commission or profit sharing arrangements between the Company and the Directors. Similarly, none of the Directors is entitled to pension, retirement or similar benefits. No element of the Directors' remuneration is performance related.

The remuneration policy set out above is the one applied for the year ended 29 February 2020 and is not expected to change in the foreseeable future.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Remuneration for Services to the Company as Non-Executive Directors

	Year Ended 29 February 2020 US$	Year Ended 28 February 2019 US$
David Macfarlane (Chairman)	**160,000**	160,000
James Jordan	**60,000**	60,000
Sharon Parr (appointed 27 June 2018)	**67,000**	41,000
Tanja Tibaldi	**60,000**	60,000
Patrick Firth (resigned 27 June 2019)	**23,000**	70,000
Christopher Waldron (resigned 26 November 2019)	**51,000**	67,000
	421,000	458,000

Ms Tibaldi intends to retire from the board at the forthcoming Annual General Meeting.

As from 1 March 2020, fees payable to the Chairman and Directors (excluding Ms Tibaldi) will be reduced to $120,000 per annum and $50,000 per annum respectively. The Chairman of the Audit Committee will receive an additional amount of $20,000 per annum.

No Director has a service contract with the Company, nor are any such contracts proposed.

Directors' Term of Appointment

In the financial year ended 29 February 2020, each Director having served longer than nine years was subject to annual re-election. Each Director who served less than nine years being subject to re-election only at the third annual general meeting after appointment or (as the case may be) the general meeting at which he or she was last appointed and being eligible for re-appointment.

In line with the 2019 AIC Code of Corporate Governance, all Directors seeking re-election to the Board will do so on an annual basis regardless of their tenure not yet exceeding nine years.

Directors' Remuneration Report continued

The Directors were appointed as non-executive Directors by letters issued in April 2008 and June 2018 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party in accordance with the Articles. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Signed on behalf of the Board of Directors on 17 June 2020 by:

David Macfarlane	*Sharon Parr*
Chairman	Director

Audit Committee Report

Dear Shareholder,
On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities during the year ended 29 February 2020. The Audit Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and external auditor.

A member of the Audit Committee will continue to be available at each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee.

Responsibilities

The terms of reference of the Audit Committee include the requirement to:

- monitor the integrity of the published Financial Statements of the Company;
- review and report to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements, (having regard to matters communicated by the external Auditors) and other financial information;
- monitor and review the quality and effectiveness of the external Auditors and their independence;
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's external Auditor;
- advise the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable;
- review and consider the Company's Principal risks and uncertainties;
- consider the long-term viability of the Company;
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption;
- monitor and review the internal control and risk management systems of the service providers; and
- consider and make representations to the Board regarding Directors' remuneration.

The Audit Committee's full terms of reference can be viewed on the Company's website www.jzcp.com

Key Activities of the Audit Committee

The following sections discuss the assessments made by the Audit Committee during the year:

Financial Reporting:

The Audit Committee's review of the Annual Financial Statements focused on the following significant areas:

- **COVID-19**
  Post year end, the Audit Committee has received regular updates from the Investment Adviser of the impact of COVID-19 on the Company's investment portfolio. Information has been provided on the following business aspects of portfolio companies/properties, to enable the Board to assess the ongoing risk to the Company and also any impact COVID-19 may have had on the reporting year ended 29 February 2020:
  i) Demand for product/service;
  ii) Supply Chain & operational issues;
  iii) Flexibility and adaptability of workforce to perform duties;
  iv) Financial Strength of Company – Liquidity Issues;
  v) Support received from Government programmes; and
  vi) Real estate markets.

  The Audit Committee have also been regularly updated on scheduled realisations and liquidity projections in light of the COVID-19 lockdowns and delays in corporate transactions.

- **Assessment of Going Concern and Viability**
  The Audit Committee has considered the ability of the Company to continue as a going concern over the period ending 31 July 2021. After careful consideration the Committee have recommended to the Board that it is satisfied that it is appropriate to adopt the going concern basis in preparing these financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period ending 31 July 2021. The reasons for reaching this judgement are detailed in the Directors' report on pages 26 to 28. However, there are material uncertainties which cast significant doubt over the ability of the Company to continue as a Going Concern, being:
  i) Whether, the Company will be able to generate sufficient realisation proceeds before the expiration of the current loan facility and repayment of the CULS;

Audit Committee Report continued

ii) In the event sufficient realisation proceeds referenced above are not generated the Company is able to implement alternative plans within a timetable agreed with its lenders; and
iii) The full impact of COVID-19 on the valuation of the Company's investment portfolio and related loan covenants is not currently known.

For the viability assessment, the Audit Committee has assessed the expectations that the Company will be able to continue in operation and meet ongoing debt obligations over the period ending 28 February 2023. In making its recommendation to the Board the Committee has carried out a robust review of the Company's principal risks and uncertainties to which the Company is exposed and that potentially threaten future performance and liquidity and has assessed the Company's current position and prospects as detailed in the Chairman's statement and Investment Adviser's report.

The key factors considered by the Committee are detailed in the Directors' Report on pages 28 to 30.

The Committee have concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment. They consider the going concern assumptions, material uncertainties and conclusion set out above to be relevant.

The Audit Committee was also satisfied that the disclosures in the basis of preparation note and the viability statement, relating to the going concern assessment of the Company, were appropriately clear and transparent. In particular that the several material uncertainties prevalent in the going concern basis of preparation are disclosed in a fair, balanced and understandable manner.

- **Valuation of Unquoted Investment Fair Values including the impact on management fees**
  The fair value of the Company's unquoted securities at 29 February 2020, which are valued using techniques detailed in note 5 of the financial statements, was $661,200,000 accounting for 95.5% of the Company's investment portfolio. The Committee has concentrated on ensuring the Investment Manager has applied appropriate valuation methodologies to these investments in producing the net asset value of the Company.

  Additional focus was given in the year to the valuation of the real estate portfolio with two external valuations undertaken over the majority of the portfolio. The need for additional appraisals arose as indications of potential impairment to the real estate portfolio emerged in the ordinary course of business between the Company's Investment Adviser and third-party real estate brokers.

  Members of the Audit Committee meet the Investment Adviser at least annually to discuss the valuation process. The Committee gains comfort in the valuations produced by reviewing the methodologies used. The valuations were challenged and approved by the Audit Committee in a recent visit to the Investment Adviser. The Audit Committee has thus satisfied itself that the valuation techniques are appropriate and accurate.

  The valuation of the unquoted investments is the key driver of the Company's gross asset value and the basis of the management fees payable to the Investment Adviser and therefore the management fees payable could potentially be misstated if there were to be an error in the calculation of the gross assets. However, as each monthly NAV calculation is approved by the Investment Adviser and the year-end NAV has been audited, the Audit Committee is satisfied that the fees have been correctly calculated as stated in the Annual Report and Financial Statements.

- **Impairment of Direct Loans Measured at Amortised Cost**
  Risk that the carrying value of the direct loans might be misstated due to application of inappropriate methodologies, inputs and/or judgemental factors determining the expected credit loss in accordance with IFRS9.

Risk Management:
The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee. New risks are added to the matrix when deemed appropriate.

Fraud, Bribery and Corruption:
The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud, bribery or corruption.

The External Auditor
Ernst & Young LLP have acted as external auditor since the Company's inception in April 2008. This is the second year of Andrew Dann's anticipated five year tenure as audit partner. A full tender process was undertaken during December 2018 and January 2019 resulting in Ernst & Young LLP being reappointed.

Independence, objectivity and fees:
The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. Following the introduction of the UK FRC Revised Ethical Standard on 18 December 2019 the Audit Committee has introduced a general prohibition on the external auditor providing non-audit services to the Company. This general prohibition does not extend to an interim review report providing the fee for such interim review is subject to a 70% fee cap when compared to the audit fee and is valid for accounting periods starting after 1 March 2020.

The following table summarises the remuneration paid and payable by the Company to Ernst & Young LLP and to other Ernst & Young LLP member firms for audit and other services during the years ended 29 February 2020 and 28 February 2019.

	Year ended 29.2.2020	**$ Equivalent Year ended 29.2.2020**	Year ended 28.2.2019	$ Equivalent Year ended 28.2.2019
Ernst & Young LLP				
– Annual audit	**£365,000**	**$454,206**	£257,250	$332,000
– Auditor's interim review	**N/A**	**N/A**	£42,500	$56,000
Other Ernst & Young LLP affiliates				
– Passive Foreign Investment Company tax services	**–**	**$65,000**	–	$65,000

During the year, JZCP incurred additional audit fees resulting from the real estate property portfolio valuation issues as well as going concern considerations, including COVID-19.

The interim report and financial statements for the six-month period ended 31 August 2019 were not reviewed by EY. Due to further requested information provided by real estate appraisers it would not have been possible for EY to have been able to complete their customary review of the interim results and related report within the regulatory timeframe.

In line with the historic policies and procedures above, the Audit Committee does not consider that the provision of non-audit services, which includes determining whether the Company is a passive foreign investment company as defined by the US Internal Revenue Code, to have been a threat to the objectivity and independence of the external auditor.

Performance and effectiveness:
During the year, when considering the effectiveness of the external auditor, the Audit Committee has taken into account the following factors:
- the audit plan presented to them before each audit;
- the post audit report including variations from the original plan;
- changes in audit personnel;
- the external auditor's own internal procedures to identify threats to independence; and
- feedback received from both the Investment Adviser and Administrator.

The Audit Committee reviewed and challenged the audit plan and the post audit report of the external auditor and concluded that audit risks had been sufficiently identified and were sufficiently addressed. The Audit Committee considered reports from the external auditor on their procedures to identify threats to independence and concluded that the procedures were sufficient to identify potential threats to independence.

Audit Committee Report continued

There were no significant adverse findings from this evaluation.

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor and considers Ernst & Young LLP, as external auditor, to be independent of the Company.

Internal control and risk management systems:

Additional work performed by the Audit Committee in the areas of internal control and risk management are disclosed on page 36.

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Adviser and the Administrator, including the Administrator's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

In finalising the Annual Report and Accounts for recommendation to the Board for approval, the Audit Committee has satisfied itself that the Annual Report and Accounts taken as a whole are fair, balanced and understandable.

Sharon Parr
Chairman, Audit Committee
17 June 2020

Independent Auditor's Report
To the Members of JZ Capital Partners Limited

Opinion

We have audited the Financial Statements of JZ Capital Partners Limited (the 'Company') for the year ended 29 February 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS').

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 February 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw your attention to Note 3 in the Financial Statements, which states that there are material uncertainties in relation to the timing of realising assets, the potential impact on the repayment of the Guggenheim facility together with the impact of COVID-19 on the valuation of the Company's investment portfolio and related covenants, which cast significant doubt over the ability of the Company to continue as a Going Concern. The Financial Statements do not include any adjustments that might result from the outcome of these uncertainties.

We describe below how our audit responded to the risk relating to going concern:

1. The audit engagement partner increased his time directing and supervising the audit procedures on going concern;
2. We assessed the determination made by the Board of Directors of the Company and the Investment Adviser, Jordan/Zalaznick Advisers, Inc ("JZAI") that the Company is a going concern and the appropriateness of the Financial Statements to be prepared on a going concern basis;
3. We obtained the cash flow forecasts and sensitivities prepared by management and tested for arithmetical accuracy of the models including reperforming the covenant tests therein;
4. We have discussed with management the Guggenheim Loan Facility refinancing and associated agreement amendments, including the nature of facilities, repayment terms and covenants;
5. We performed a stress testing for covenant compliance using market indices up to 31 May 2020, to assess the likelihood of a reduction in fair values triggering a covenant breach;
6. We challenged the appropriateness of management's forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis including Management's scenario to reflect its expectation of the impact of the timing of realising assets, the potential impact on the repayment of the Guggenheim facility together with COVID-19, and applying further sensitivities to understand the impact on liquidity of the Company;
7. We assessed whether available funds, compared to commitments made to underlying investments at year end and other ongoing commitments including investment advisor and other expenses cast significant doubt over the going concern status of the Company;
8. We held discussions with the Investment Adviser and the Audit Committee in relation to the status of the secondary sales, real estate offers and refinancing of the Guggenheim loan facility;
9. We discussed the likely success and risk factors of the Company's alternative investing and financing plans with its Investment Adviser; and
10. We assessed the disclosures in the Annual Report and Financial Statements relating to going concern, including the material uncertainties, to ensure they were fair, balanced and understandable and in compliance with IAS1.

Independent Auditor's Report continued

To the Members of JZ Capital Partners Limited

We draw attention to the viability statement in the Annual Report on pages 28 to 30, which indicates that the key assumptions to the statement of viability are that a) the realisation of the underlying investments will generate sufficient liquid resources for the Company to meet its obligations and pay its expenses as and when they fall due, (b) the refinancing of the Guggenheim Loan Facility will be finalised and (c) COVID-19 will not have any significant impact on the Company's long term viability. The Directors consider that the material uncertainties referred to in respect of going concern casts significant doubt over the future viability of the Company should these above events not complete.

Our opinion is not modified in respect of this matter.

Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the material uncertainties related to going concern section, we have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 25 to 26 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on pages 32 to 33 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the Directors' statement set out on pages 26 to 28 in the Annual Report in relation to going concern and their assessment of the prospects of the Company required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 28 to 30 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Misstatement of Unquoted Investment Fair Values including the impact on management fees; and • Impairment of direct loans measured at amortised cost.
Audit scope	• We have audited the Financial Statements of the Company for the year ended 29 February 2020.
Materiality	• Overall materiality of $4.8 million (2019: $16.2 million), which represents 1% (2019: 2%) of total equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year. In addition to the matters described in the 'Material Uncertainty Related to Going Concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of Unquoted Investment Fair Values including the impact on management fees (2020: $0.661 billion; 2019: US$ 1.014 billion) 99% (2019: 99%) of the carrying value of investments relates to the Company's holdings in unquoted investments, which are valued using different valuation techniques, as described in note 5 to the Financial Statements. The valuation is subjective, with a high level of judgement and estimation linked to the determination of the values with limited market information available, as a result of the low level of liquidity in the private equity and real estate markets at the year-end. As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected including the possible impact on the management fees. The valuation of the unquoted investments is the key driver of the Company's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders. *Refer to the Audit Committee Report (pages 41 to 44); Accounting policies in Notes 2, 3 and 5, and Note 12 to the Financial Statements*	Our audit procedures consisted of: • Updating and confirming our understanding of the Company's processes and methodologies, including the use of industry specific measures, and policies for valuing unquoted investments held by the Company; • Challenged management on the rationale for change in independent real estate appraisers and, as part of our review of the appraisals, specifically considered the credentials of the new appraiser for such appraisals; • Obtaining and inspecting the valuation decks and supporting data for the private equity investments, to assess whether the data used is appropriate and relevant, and discussing these with Investment Adviser to evaluate whether the fair value of the Company's private equity investments are reasonably stated, challenging the assumptions made by JZAI and Board of Directors of the Company; • Obtaining and inspecting the independent appraisals and supporting data regarding the real estate assets, to assess whether the data used is appropriate and relevant, and discussing these with Investment Adviser to evaluate whether the fair value of the Company's real estate investments are reasonably stated, challenging the assumptions made by JZAI and Board of Directors of the Company; • Attending fair value discussions in relation to 29 February 2020 valuations, for both real estate and private equity investments. Challenging the value roll forward considerations between the 31 December 2019 asset valuations and the balance sheet date. These included the Investment Adviser, EY Guernsey, EY valuation specialists, RedSky (Real Estate Asset Advisor) and the independent valuation specialists appointed by the Company; • Vouching valuation inputs that do not require specialist knowledge to independent sources and testing the arithmetical accuracy of the Company's calculations for a sample of significant investments selected based on their size/value; • Performing back testing to get an overview of how management values the investments on an overall view compared to prior year values;	We reported to the Audit Committee that overall there were no material matters arising from our audit work on the valuation of the Company's investments that we wished to bring to their attention.

Independent Auditor's Report continued

To the Members of JZ Capital Partners Limited

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of Unquoted Investment Fair Values including the impact on management fees (continued)	• For a sample of significant private equity investments selected based on their size/value, we engaged EY Canada ("EY VME"), and for the real estate investments, we engaged EY New York and Miami (collectively "EY TRE") as valuation specialists to: – use their knowledge of the market to assess and corroborate Investment Adviser's and third party specialists' market related judgements and valuation inputs (in relation to the private equity investments discount rates and EBITDA multiples and in relation to real estate assets discount rates, rental per square foot, selling price per square foot) by reference to comparable transactions, and independently compiled databases/indices; – assist us to determine whether the methodologies used to value private equity investments and real estate assets were consistent with methods usually used by market participants; – assist with enquiries with the newly appointed appraiser regarding changes in approach, models and fair values compared to the appraiser in the prior year; – performed procedures to assess whether, in light of market data, the fair values of certain recently acquired investments continue to approximate to their consideration paid; and – assist us in determining whether the Company's specialist were appropriately qualified and independent. • Agreeing the valuation per the Financial Statements back to the models per the valuation decks, relating to private equity investments, prepared by Investment Adviser and agreeing the proposed values per the valuation decks to the investment portfolio report prepared by the Administrator; • Reviewing the waterfall calculations on the flow of valuation through the SPV structures to the Company and reviewing the inputs to, and arithmetic accuracy, of the valuation calculations/waterfall; • Updating our previous understanding of the real estate portfolio valuation with the Investment Adviser and RedSky with respect to the qualitative factors and other information used to value real estate investments;	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of Unquoted Investment Fair Values including the impact on management fees (continued)	• Reporting to the Audit Committee on the calibration of investment valuations against EY's ranges and commenting on any specific movements of valuation marks in those ranges vs prior periods; • Identifying the significant unobservable inputs to valuations and reviewed and assessed the reasonableness of the sensitivity workings and disclosures, comparing the Investment Adviser's position with EY's range of acceptable inputs; and • Re-performed the management fee calculations for mathematical accuracy and consistency with the terms of the investment advisory agreement.	
Impairment of direct loans measured at amortised cost (2020: $31 million; 2019 $58 million) Risk that the carrying value of the direct loans might be misstated due to application of inappropriate methodologies, inputs and/or judgemental factors determining the expected credit loss in accordance with IFRS 9. *Refer to the Audit Committee Report (pages 41 to 44); Accounting policies in Notes 2 and 3, and Notes 7, 12 and 22 to the Financial Statements*	For all loans greater than materiality we have performed the following procedures: • We obtained copies of the signed loan agreements including any changes to the terms and conditions of the loans; • We re-performed the amortised cost calculations for mathematical accuracy and consistency with the terms of the loan agreements; • We obtained the expected credit loss calculation from the Investment Advisor for each material loan and determined that the estimate and judgements applied by management specific to each loan were in accordance with IFRS 9; and • We reviewed the possible default scenarios and credit risk of each loan separately and applied probabilities of default to assess the ECL over the next 12 months.	We confirmed that there were no material matters arising from our audit work on the judgments and estimates made by management regarding the expected credit loss that we wished to bring to the attention of the Committee. We confirmed that the expected credit loss was not materially misstated.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We consider size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"Materiality" is the magnitude of omissions or misstatements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be $4.8 million (2019: $16.2 million), which is 1% (2019: 2%) of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures,

Independent Auditor's Report continued

To the Members of JZ Capital Partners Limited

identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We used equity as a basis for determining planning materiality because the Company's primary performance measures for internal and external reporting are based on equity. The basis was reduced from 2% to 1% as a result of risk factors associated with external financing and the longer-term direction of the company.

Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Financial Statements did not exceed our materiality level.

Performance materiality

"Performance materiality" is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Based on our risk assessment, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50%. of materiality, namely $2.4 million (2019: 75%. of materiality, namely $12.2 million). Although there is no history of material misstatements, based on which our expectation of the likelihood of misstatement in the future is low and we have a strong understanding of the control environment, there were changes in circumstances or events outside the normal course of business. As a result, we have increased the audit risk to high (as there is a higher likelihood that misstatements may occur within the Financial Statements) primarily as a result of the announcement made by the Company in October 2019. Accordingly, we have reduced performance materiality from 75% to 50%.

Reporting threshold

"Reporting threshold" is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all audit differences in excess of $0.24 million (2019: $0.8 million) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and considering other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report regarding our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 33 – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 41 to 44 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 34 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 32 to 33, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands

17 June 2020

1. The maintenance and integrity of the Company's website is the sole responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report continued

Independent Auditors Report for audit conducted in accordance with auditing standards generally accepted in the United States[1]

To The Directors of JZ Capital Partners Limited
We have audited the accompanying financial statements of JZ Capital Partners Limited (the "Company"), which comprise the statement of financial position as of 29 February, 2020, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards as adopted by the European Union ("IFRS"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JZ Capital Partners Limited at 29 February 2020, and the results of its operations, changes in its equity, and its cash flows for the year then ended, in conformity with IFRS.

Ability to Continue as a Going Concern
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 in the financial statements, the Company has stated that there are material uncertainties in relation to the timing of realising assets, the potential impact on the repayment of the Guggenheim facility together with the impact of COVID-19 on the valuation of the Company's investment portfolio and related covenants, which casts significant doubt over the ability of the Company to continue as a Going Concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Our opinion is not modified in respect of this matter.

1 In order to comply with the US Securities and Exchange Commission's custody rule, an audit opion was requested, by the Company's Investment Adviser, which satisfies the requirements of auditing standards generally accepted in the United States.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental US GAAP Disclosures and Certain Regulatory Disclosures are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP
Guernsey, Channel Islands

17 June 2020

Statement of Comprehensive Income

For the Year Ended 29 February 2020

	Note	**Year Ended 29 February 2020 US$'000**	Year Ended 28 February 2019 US$'000
Income and investment and other gains			
Investment income	8	**33,264**	28,823
Bank and deposit interest		**455**	525
Realisations from investments held in escrow accounts	27	**5,559**	3,303
Net foreign currency exchange gains/(loss)		**664**	(1,354)
Gain on financial liabilities at fair value through profit or loss	14	**4,388**	5,696
		44,330	36,993
Expenses and losses			
Net loss on investments at fair value through profit or loss	6	**(316,506)**	(2,773)
Expected credit losses	7	**(29,318)**	(75)
Investment Adviser's base fee	10	**(15,224)**	(16,733)
Investment Adviser's incentive fee	10	**35,880**	(2,161)
Administrative expenses	10	**(3,708)**	(2,641)
Directors' remuneration	10	**(421)**	(458)
		(329,297)	(24,841)
Operating (loss)/profit		**(284,967)**	12,152
Finance costs	9	**(20,460)**	(18,987)
Loss before taxation		**(305,427)**	(6,835)
Withholding taxes	11	**878**	–
Loss for the year		**(304,549)**	(6,835)
Weighted average number of Ordinary shares in issue during the year	24	**79,053,060**	82,757,833
Basic loss per Ordinary share	24	**(385.25)c**	(8.26)c
Diluted loss per Ordinary share	24	**(385.25)c**	(10.52)c

The format of the Statement of Comprehensive Income has changed from prior years in that it now presents income in one column format rather than a split between capital and revenue.

The accompanying notes form an integral part of the Audited Financial Statements.

Statement of Financial Position

As at 29 February 2020

	Note	**29 February 2020 US$'000**	28 February 2019 US$'000
Assets			
Investments at fair value through profit or loss	12	**661,200**	1,014,316
Loans at amortised cost	12	**30,972**	58,012
Other receivables	13	**119**	1,286
Cash at bank		**52,912**	50,994
Total Assets		**745,203**	1,124,608
Liabilities			
Zero Dividend Preference (2022) shares	15	**64,510**	63,838
Convertible Unsecured Loan Stock	14	**49,886**	54,274
Loans payable	16	**150,362**	149,227
Investment Adviser's incentive fee	10	**2,307**	42,771
Investment Adviser's base fee	10	**1,179**	2,102
Other payables	17	**1,225**	2,134
Total Liabilities		**269,469**	314,346
Equity			
Share capital	18	**216,625**	246,604
Other reserve	20	**353,528**	353,528
Retained (deficit)/earnings	20	**(94,419)**	210,130
Total Equity		**475,734**	810,262
Total Liabilities and Equity		**745,203**	1,124,608
Number of Ordinary shares in issue at year end	18	**77,474,175**	80,666,838
Net Asset Value per Ordinary share	26	**$6.14**	$10.04

These Audited Financial Statements on pages 54 to 95 were approved by the Board of Directors and authorised for issuance on 17 June 2020. They were signed on its behalf by:

David Macfarlane *Sharon Parr*
Chairman Director

The accompanying notes form an integral part of the Audited Financial Statements.

Statement of Changes in Equity

For the Year Ended 29 February 2020

	Note	Share Capital US$'000	Other Reserve US$'000	Retained Earnings/ (Deficit) US$'000	Total US$'000
Balance as at 1 March 2019		**246,604**	**353,528**	**210,130**	**810,262**
Loss for the year		**–**	**–**	**(304,549)**	**(304,549)**
Buy back of Ordinary shares	18	**(29,979)**	**–**	**–**	**(29,979)**
Balance at 29 February 2020		**216,625**	**353,528**	**(94,419)**	**475,734**

Comparative for the Year ended 28 February 2019

	Note	Share Capital US$'000	Other Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance as at 1 March 2018		265,685	353,528	218,360	837,573
Impact of adoption of IFRS 9		–	–	(1,395)	(1,395)
Adjusted Balance as at 1 March 2018		265,685	353,528	216,965	836,178
Loss for the year		–	–	(6,835)	(6,835)
Buy back of Ordinary shares	18	(19,081)	–	–	(19,081)
Balance at 28 February 2019		246,604	353,528	210,130	810,262

The format of the Statement of Changes in Equity has changed from prior periods in that it now reflects the one column income presentation in the Statement of Comprehensive Income format. The Company's profit/ loss are now posted to retained earnings/(deficit) rather than individual revenue/capital reserves.

The accompanying notes form an integral part of the Audited Financial Statements.

Statement of Cash Flows

For the Year Ended 29 February 2020

	Note	29 February 2020 US$'000	28 February 2019 US$'000
Cash flows from operating activities			
Cash inflows			
Realisation of investments		**140,296**	215,582
Maturity of treasury bills		**6,700**	78,099
Escrow receipts received		**5,559**	3,303
Interest received from unlisted investments		**1,669**	2,076
Income distributions received from investments		**1,781**	–
Bank Interest received		**455**	525
Cash outflows			
Direct investments and capital calls		**(77,110)**	(194,431)
Purchase of treasury bills		**(6,706)**	(6,579)
Real estate deposit paid		**–**	(700)
Investment Adviser's base fee paid		**(16,147)**	(16,856)
Investment Adviser's incentive fee paid		**(4,584)**	(996)
Other operating expenses paid		**(4,188)**	(3,174)
Foreign exchange loss realised		**(626)**	(171)
Net cash inflow before financing activities		**47,099**	76,678
Cash flows from financing activities			
Finance costs paid:			
• Convertible Unsecured Loan Stock		**(2,956)**	(3,155)
• Loan Payable		**(12,436)**	(12,142)
Buy back of Ordinary shares	18	**(29,979)**	(19,081)
Net cash outflow from financing activities		**(45,371)**	(34,378)
Increase in cash and cash equivalents		**1,728**	42,300

Reconciliation of net cash flow to movements in cash and cash equivalents	US$'000	US$'000
Cash at bank at beginning of year	**50,994**	9,000
Increase in cash and cash equivalents as above	**1,728**	42,300
Unrealised foreign exchange movements on cash at bank	**190**	(306)
Cash at bank at year end	**52,912**	50,994

Reconciliation of Cash Inflows from Realisations to numbers presented in the Chairman's Statement, Investment Adviser's Report and Note 12 of the financial statements

	Year Ended 29 February 2020 US$'000	Year Ended 28 February 2019 US$'000
Proceeds from realisation and repayment of investments (note 12)	**146,996**	268,694
Less proceeds from maturity of treasury bills	**(6,700)**	(78,099)
Proceeds received post year end from realisation of treasury bills	**–**	24,987
Cash inflow from realisation of unlisted investments (above)	**140,296**	215,582
Adjusted to reconcile to totals quoted in Annual Report		
Cash inflow from realisation of unlisted investments (above)	**140,296**	
Escrow receipts	**5,559**	
Income received from distributions/realisations	**2,322**	
Total realisations for the year (pages 2 and 11)	**148,177**	

The accompanying notes form an integral part of the Audited Financial Statements.

Index to Notes to the Financial Statements

Notes to the Financial Statements

1. General Information

JZ Capital Partners Limited ("JZCP" or the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company is classified as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law 1987. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's shares trade on the London Stock Exchange's Specialist Fund Segment ("SFS").

The Company's Investment Policy is to target predominantly private investments, seeking to back management teams to deliver on attractive investment propositions. In executing its strategy, the Company takes a long term view. The Company seeks to invest directly in its target investments, although it may also invest through other collective investment vehicles. The Company may also invest in listed investments, whether arising on the listing of its private investments or directly. The Investment Adviser is able to invest globally but with a particular focus on opportunities in the United States and Europe. Post year end, the Board has proposed a new investment policy, to be formally adopted, whereby the Company will make no further investments outside of its existing obligations or to the extent that investment may be made to support selected existing portfolio investments. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders.

The Company is currently mainly focused on investing in the following areas:

(a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and

(b) real estate interests.

The Investment Adviser takes a dynamic approach to asset allocation and, though it doesn't expect to, in the event that the Company were to invest 100% of gross assets in one area, the Company will, nevertheless, always seek to maintain a broad spread of investment risk. Exposures are monitored and managed by the Investment Adviser under the supervision of the Board.

The Company has no direct employees. For its services, the Investment Adviser receives a management fee and is also entitled to performance related fees (Note 10). The Company has no ownership interest in the Investment Adviser. During the year under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

2. Basis of Accounting and Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with applicable legal and regulatory requirements of Guernsey Law, and the SFS.

Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS. The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss ("FVTPL").

The financial statements are presented in US dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

The format of the Statement of Comprehensive Income has changed from prior years in that it now presents profit/loss in one column format rather than a split between capital and revenue. This change is also reflected in the format of the Statement of Changes in Equity, the Company's profit/loss is now posted to retained earnings/deficit rather than individual revenue/capital reserves.

Notes to the Financial Statements continued

2. Basis of Accounting and Significant Accounting Policies continued

The Company now presents its Statement Of Cash Flows statement on a direct-basis rather the indirect basis of previous years.

Both of the above changes were made to improve and simplify presentation.

The Company's Statement of Financial Position's is presented in order of liquidity, which provides information in a format that is deemed relevant to the Company.

New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The new standards or amendments to existing standards and interpretations, effective from 1 March 2019, did not have a material impact of the Company's Financial Statements. The Company has assessed the impact of standards issued but not yet applicable, and have concluded that they will not have a material impact on the Financial Statements.

Changes in accounting policy and disclosure

The accounting policies adopted in the preparation of these audited annual financial statements have been consistently applied during the year and are consistent with those of the previous year, unless otherwise stated.

Significant Accounting Policies

Financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

i) Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding. The Company includes in this category loans at amortised cost, short-term non-financing receivables and other receivables.

ii) Financial assets measured at FVTPL

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ii **a) Classification**

Financial assets classified at FVTPL are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in its prospectus.

The Company includes in this category:

Investments in the equity and preferred stock of micro cap, real estate and other investments;

Investments in subsidiaries and associates:

- Investment in subsidiaries: In accordance with the exception under IFRS10, the Company does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Company's investment activities. The Company has no consolidated subsidiaries.
- Investment in associates: In accordance with the exemption in IAS28 Investments in Associates and Joint Ventures, the Company does not account for its investments in associates using the equity method. Instead, the Company has elected to measure its investments in associates at FTVPL.
- Investments in debt instruments which include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

ii **b) Measurement**

Investments made by the Company are measured initially and subsequently at fair value, with changes in fair value taken to the Statement of Comprehensive Income. Transaction costs are expensed in the Statement of Comprehensive Income in the year in which they arise for those financial instruments classified at FVTPL.

ii **c) Fair value estimate**

The fair value of financial assets traded in active markets (such as publicly traded securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Company is the bid price.

Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last twelve months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the Directors consider inter alia, where practical, the multiples used in recent transactions in comparable unquoted companies, previous valuation multiples used and where appropriate, multiples of comparable publicly traded companies. In accordance with the International Private Equity and Venture Capital Association ("IPEVCA") valuation guidelines, a marketability discount is applied which reflects the discount that in the opinion of the Directors, market participants would apply in a transaction in the investment in question.

The valuation techniques to derive the fair value of real estate interests and other investments are detailed in Note 5 (pages 72 to 73).

iii) Other receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

iv) Cash on deposit and cash and cash equivalents

Cash on deposit comprises bank deposits with an original maturity of three months or more. Cash and cash equivalents comprise bank balances and cash held by the Company, including short-term bank deposits with a maturity of three months or less. Cash also includes amounts held in interest-bearing overnight accounts.

Notes to the Financial Statements continued

2. Basis of Accounting and Significant Accounting Policies continued

Financial liabilities

For financial liabilities designated as FVTPL using the fair value option ("FVO"), the amount of change in the fair value of such financial liabilities that is attributable to changes in the Company's credit risk must be presented in Other Comprehensive Income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities, other than CULS (see overleaf) are recorded at the amount of proceeds received, net of issue costs.

Financial liabilities may be designated at fair value through profit or loss rather than stated at amortised cost, when the Board have considered the appropriate accounting treatment for the specific liability.

i) Financial liabilities measured at FVTPL

Convertible Unsecured Loan Stock ("CULS")

The CULS issued by the Company is denominated in a currency (GBP) other than the Company's functional currency and hence fails the 'fixed-for-fixed' criteria for equity classification. Rather than account for the host debt and embedded conversion element separately, the Company elects to account for the CULS in its entirety in accordance with the IFRS 9 'Fair Value Option'.

The CULS' fair value is deemed to be the listed offer price at the year end. CULS is translated at the exchange rate at the reporting date and both differences in fair value due to the listed offer price and exchange rates are recognised in the Statement of Comprehensive Income.

ii) Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category, Zero Dividend Preference ("ZDP") shares, Guggenheim loan and other short-term payables.

ii a) Zero Dividend Preference ("ZDP") shares

ZDP shares meet the definition of a financial liability in accordance with IAS 32 Financial Instruments: Presentation, as the shares are redeemable at a fixed date and holders are entitled to a fixed return. ZDP shares are recorded at amortised cost using the effective interest rate method.

ii b) Guggenheim loan

The loan is recorded at amortised cost using the effective interest rate method.

ii c) Other payables

Other payables (include the accrual of Investment Adviser's fees) are classified as financial liabilities at amortised cost. Other payables are not interest-bearing and are stated at their nominal value.

Equity

Equity is classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity are recorded at the amount of proceeds received, net of issue costs. Ordinary Shares are classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory.

Interest revenue

Interest revenues are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established. When there is reasonable doubt that income due to be received will actually be received, such income is not accrued until it is clear that its receipt is probable. Where, following an accrual of income, receipt becomes doubtful, the accrual is either fully or partly written off until the reasonable doubt is removed.

Escrow accounts

Where investments are disposed of, the consideration given may include contractual terms requiring that a percentage of the consideration is held in an escrow account pending resolution of any indemnifiable claims that may arise and as such the value of these escrow amounts is not immediately known. The Company records gains realised on investments held in escrow in the Statement of Comprehensive Income following confirmation that any such indemnifiable claims have been resolved and none is expected in the future.

Taxation

The company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended). However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income.

3 Estimates and Judgements

The preparation of the Company's financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are the key judgements and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimates

Fair Value of Investments at Fair Value Through Profit or Loss

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2. The key source of estimation uncertainty is on the valuation of unquoted equities, equity-related securities and real estate investments.

In reaching its valuation of the unquoted equities, equity-related securities and real estate investments the key estimates management has to make are those relating to the multiples, discount factors and real estate valuation factors (Note 5) used in the valuation models.

Judgements

Assessment as an Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

Notes to the Financial Statements continued

3 Estimates and Judgements continued

The Company has a wide range of investors; through its Investment Adviser management services it enables investors to access private equity, real estate and similar investments.

The Company's objective to provide a "significant capital appreciation" is consistent with that of an investment entity. The Company has clearly defined exit strategies for each of its investment classes, these strategies are again consistent with an investment entity.

In determining the fair value of unlisted investments JZCP follows the principles of IPEVCA valuation guidelines. The Valuation Guidelines have been prepared with the goal that Fair Value measurements derived when using these Valuation Guidelines are compliant with IFRS. The Board of JZCP evaluates the performance of unlisted investments quarterly on a fair value basis. Listed investments are recorded at Fair Value in accordance with IFRS being the last traded market price where this price falls within the bid-ask spread.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities and it has more than one investor.

Investment in Associates

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities.

In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in EuroMicrocap Fund 2010, L.P., JZI Fund III GP, L.P., Spruceview Capital Partners, LLC and Orangewood Partners Platform LLC using the equity method. Instead, the Company has elected to measure its investment in its associates at FVTPL.

The Directors have determined that although the Company has over 50% economic interest in EuroMicrocap Fund 2010, L.P., JZI Fund III GP, L.P. and Orangewood Partners Platform LLC, it does not have the power to govern the financial and operating policies of the entities, but does have significant influence over the strategic, operating and financial policies.

Expected Credit Losses ("ECL")

Certain financial assets are classified as Loans at Amortised cost, and valued accordingly as disclosed in note 2. The key source of estimation uncertainty is on the various default scenarios for prescribed future periods and the probability of each scenario occurring which are considered when estimating the ECLs.

Going Concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

In the context of the delay in realising assets as previously announced, the potential impact on the repayment of the Guggenheim facility and the CULS together with the impact of COVID-19 on the valuation of the Company's investment portfolio and related loan covenants, there are material uncertainties which cast significant doubt on the ability of the Company to continue as a going concern. However the financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit Committee, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In reaching its conclusion, the Board have considered the risks that could impact the Company's liquidity over the period to 31 July 2021. This period, which is longer than the required period of 12 months, has been considered to be relevant due to the repayment date for the Company's CULS being only 43 days after the 12 month period.

As part of their assessment the Audit Committee highlighted the following key considerations:
1. Whether, the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 31 July 2021
2. Whether, in the event that the realisation events previously referred to do not materialise before the expiration of the current loan facility and the repayment date of the CULS, the Company is able to implement an alternative plan for refinancing the loan facility within the required timeframe
3. COVID-19 impact on valuation of the Company's investment portfolio and related loan covenants
4. Valuation losses incurred by the Company during the year ended 29 February 2020

1. **Whether, the Company can generate sufficient cash through realisations of its underlying investments to discharge its liabilities over the period to 31 July 2021**
   As at 31 May 2020, the Company had cash and cash equivalents of approximately $43 million which offers over 6 months of liquidity cover assuming no income from realisations and making payments as forecast for follow-on investments, debt financing and ongoing expenses and the retainment of $15 million cash required for current loan covenant.

   The Company has two major debt obligations to settle towards the end of the going concern period being:
   i. the Loan facility with Guggenheim of approximately $150 million due for settlement on 12 June 2021; and
   ii. the settlement of its CULS on 30 July 2021 for £38.9 million (approximately $50 million).

   It is anticipated that the liquidity required to settle the debt obligations mentioned above, and other ongoing obligations in 2021, will be generated from realisations within the going concern period. These forecast realisations include two anticipated secondary sales of several micro-cap companies and also certain other assets. Total realisation proceeds of approximately $260 million are expected from the aforementioned events.

   Prior to the COVID-19 pandemic and the resulting lockdown some of these realisation events were close to completion. Whilst the Board still expects these transactions to complete, the timing of the closure of the transactions depends largely on the length and severity of the COVID-19 lockdown. The Directors have also considered the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts whilst concluding on the accuracy of the forecast.

2. **Whether, in the event that the realisation events referred to in (1) do not materialise before the expiration of the current loan facility and the repayment of the CULS, the Company is able to implement alternative plans for refinancing within the required timeframe.**
   JZAI personnel manage the relationship with the Company's lender, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 29 February 2020, the Company has continued to be in compliance with covenant terms and made all scheduled interest payments on time. Post year end, the Company obtained agreement from the parties to the loan facility for an extension to the time for delivery of this annual report, the release of which was delayed on account of COVID-19. Discussions are also ongoing regarding amendments to the loan agreement to ensure any risk of breach of covenant in light of the uncertainties caused by COVID-19 over post year end valuations is avoided.

3. **COVID-19 impact on valuation of the Company's investment portfolio and related loan covenants**
   The Board recognise the high degree of uncertainty in respect of the dynamic situation which has unfolded with COVID-19 and is unable to currently assess the likely duration and exact impact to the Company of the outbreak.

Notes to the Financial Statements continued

3 Estimates and Judgements continued

Whilst the effect of COVID-19 on the valuation of the Company's investment portfolio cannot yet be estimated, there is an expectation that there will be further write downs within the real estate portfolio following the interim appraisals and also a lengthy lockdown period, especially in the US, could adversely affect the valuation of the company's micro-cap portfolio.

Post year end, the Board has received regular updates from the Investment Adviser of the impact of COVID-19 on the individual investments within the Company's investment portfolio. To enable the Board to assess the ongoing risk to the Company, information has been provided on the following business aspects of portfolio companies:

- Demand for product/service;
- Supply Chain & operational issues;
- Flexibility and adaptability of workforce to perform duties;
- Financial Strength of Company – Liquidity Issues; and
- Support received from Government programmes.

The pandemic has unfortunately created an environment where the completion of corporate transactions has predominantly stalled. Therefore, the Company have had to consider the effect on liquidity. The Board have concluded that they have a reasonable expectation that delays in scheduled realisations will be short-lived and completed as financial markets return to a level of normality.

Future valuation losses may impact compliance with covenants placed on the Company's loan facility which require a 4x asset value cover. The Board note the current collateral/loan ratio is 4.5x and a further fall in the NAV of approx. $70 million would see the required 4x cover of this loan covenant breached. Discussions are ongoing between the Company and Guggenheim, in part regarding the amendment of the loan agreement to ensure any risk of breach of covenant is avoided in light of the uncertainties caused by COVID-19 over post year end valuations.

4. **Valuation losses incurred by the Company during the year ended 29 February 2020**
The total loss attributable to Ordinary shareholders for the year ended 29 February 2020 is $304.5 million. As previously announced towards the latter half of 2019, the Company has dramatically revised downwards its valuation of the Company's real estate portfolio.

The Board have assessed that these losses, as they are valuation related, have not impacted or created a material uncertainty around the Company's ability to continue in existence as a going concern.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period ending 31 July 2021.

However, of the four key considerations identified above the Board have concluded that three of them create material uncertainties which cast significant doubt over the ability of the Company to continue as a Going Concern, being:

- Whether, the Company will be able to generate sufficient realisation proceeds before the expiration of the current loan facility and repayment of the CULS;
- In the event sufficient realisation proceeds referenced above are not generated the Company is able to implement alternative plans within a timetable agreed with its lenders; and
- The full impact of COVID-19 on the valuation of the Company's investment portfolio and related loan covenants is not currently known.

The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

4. Segment Information

The Investment Manager is responsible for allocating resources available to the Company in accordance with the overall business strategies as set out in the Investment Guidelines of the Company. The Company is organised into the following segments:

- Portfolio of US micro-cap investments;
- Portfolio of European micro-cap investments;
- Portfolio of Real estate investments; and
- Portfolio of Other investments – (not falling into above categories).

The investment objective of each segment is to achieve consistent medium-term returns from the investments in each segment while safeguarding capital by investing in a diversified portfolio.

Investments in treasury bills and corporate bonds are not considered as part of the investment strategy and are therefore excluded from this segmental analysis.

Segmental Profit/(Loss)

For the year ended 29 February 2020

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	**27,372**	**4,499**	**(454)**	**–**	**31,417**
Other portfolio income	**560**	**1,221**	**–**	**–**	**1,781**
Total segmental revenue	**27,932**	**5,720**	**(454)**	**–**	**33,198**
Net gain/(loss) on investments at FVTPL	**12,459**	**1,941**	**(330,906)**	**–**	**(316,506)**
Expected credit losses	**–**	**(29,318)**	**–**	**–**	**(29,318)**
Realisations from investments held in Escrow	**5,559**	**–**	**–**	**–**	**5,559**
Withholding tax	**(126)**	**–**	**–**	**1,004**	**878**
Investment Adviser's base fee	**(6,454)**	**(1,583)**	**(5,860)**	**(307)**	**(14,204)**
Investment Adviser's capital incentive fee[1]	**–**	**–**	**35,880**	**–**	**35,880**
Total segmental operating profit/(loss)	**39,370**	**(23,240)**	**(301,340)**	**697**	**(284,513)**

For the year ended 28 February 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	22,135	6,486	142	–	28,763
Total segmental revenue	22,135	6,486	142	–	28,763
Net gain/(loss) on investments at FVTPL	16,686	7,053	(26,512)	–	(2,773)
Expected credit losses	–	(75)	–	–	(75)
Realisations from investments held in Escrow	3,303	–	–	–	3,303
Investment Adviser's base fee	(6,725)	(1,772)	(6,852)	(255)	(15,604)
Investment Adviser's capital incentive fee[1]	(8,074)	637	5,291	(15)	(2,161)
Total segmental operating profit/(loss)	27,325	12,329	(27,931)	(270)	11,453

[1] The capital incentive fee is allocated across segments where a realised or unrealised gain or loss has occurred. Segments with realised or unrealised losses are allocated a credit pro rata to the size of the loss and segments with realised or unrealised gains are allocated a charge pro rata to the size of the gain.

Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gains, interest on cash, finance costs, management fees, custodian and administration fees, directors' fees and other general expenses.

Notes to the Financial Statements continued

4. Segment Information continued

The following table provides a reconciliation between total segmental operating profit and operating profit.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Total Segmental Operating (Loss)/Profit	**(284,513)**	11,453
Gain on financial liabilities at fair value through profit or loss	**4,388**	5,696
Net foreign exchange gain/(loss)	**664**	(1,354)
Interest on treasury notes and corporate bonds	**66**	60
Interest on cash	**455**	525
Fees payable to investment adviser based on non-segmental assets	**(1,020)**	(1,129)
Expenses not attributable to segments	**(4,129)**	(3,099)
Withholding tax	**(878)**	–
Operating (Loss)/Profit	**(284,967)**	12,152

The following table provides a reconciliation between total segmental revenue and Company revenue.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Total segmental revenue	**33,198**	28,763
Non-segmental revenue		
Interest on treasury bills	**66**	60
Bank and deposit interest	**455**	525
Total revenue	**33,719**	29,348

Segmental Net Assets

At 29 February 2020

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Segmental assets					
Investments at FVTPL	**404,880**	**71,619**	**158,712**	**22,603**	**657,814**
Loans at amortised cost	**–**	**30,972**	**–**	**–**	**30,972**
Other receivables	**–**	**–**	**80**	**–**	**80**
Total segmental assets	**404,880**	**102,591**	**158,792**	**22,603**	**688,866**
Segmental liabilities					
Payables and accrued expenses	**(3,290)**	**(113)**	**(501)**	**(23)**	**(3,927)**
Total segmental liabilities	**(3,290)**	**(113)**	**(501)**	**(23)**	**(3,927)**
Total segmental net assets	**401,590**	**102,478**	**158,291**	**22,580**	**684,939**

At 28 February 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Segmental assets					
Investments at FVTPL	478,970	70,686	443,044	18,302	1,011,002
Loans at amortised cost	–	58,012	–	–	58,012
Other receivables	–	–	1,275	–	1,275
Total segmental assets	478,970	128,698	444,319	18,302	1,070,289
Segmental liabilities					
Payables and accrued expenses	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental liabilities	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental net assets	440,202	130,019	433,746	20,152	1,024,119

Other receivables and prepayments are not considered to be part of individual segment assets. Certain liabilities are not considered to be part of the net assets of an individual segment. These include custodian and administration fees payable, directors' fees payable and other payables and accrued expenses.

The following table provides a reconciliation between total segmental assets/liabilities and total assets/liabilities.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Total Segmental Assets	**688,866**	1,070,289
Non Segmental Assets		
Cash at bank	**52,912**	50,994
Treasury bills	**3,386**	3,314
Other receivables	**39**	11
Total Assets	**745,203**	1,124,608
Total Segmental Liabilities	**(3,927)**	(46,170)
Non Segmental Liabilities		
Zero Dividend Preference (2022) shares	**(64,510)**	(63,838)
Convertible Unsecured Loan Stock	**(49,886)**	(54,274)
Loans payable	**(150,362)**	(149,227)
Other payables	**(784)**	(837)
Total Liabilities	**(269,469)**	(314,346)
Total Net Assets	**475,734**	810,262

5. Fair Value of Financial Instruments

The Company classifies fair value measurements of its financial instruments at FVTPL using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial assets valued at FVTPL are analysed in a fair value hierarchy based on the following levels:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Those involving inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, investments which are valued based on quotes from brokers (intermediary market participants) are generally indicative of Level 2 when the quotes are executable and do not contain any waiver notices indicating that they are not necessarily tradable. Another example would be derivatives such as interest rate swaps or forward currency contracts where inputs are observable and therefore may also fall into Level 2.

Level 3

Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates (see pages 72 to 73) fall within Level 3.

Differentiating between Level 2 and Level 3 fair value measurements i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

Notes to the Financial Statements continued

5. Fair Value of Financial Instruments continued

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Financial assets at 29 February 2020

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
US micro-cap	–	–	404,880	404,880
European micro-cap	–	–	71,619	71,619
Real estate	–	–	158,712	158,712
Other investments	–	–	22,603	22,603
Listed investments	3,386	–	–	3,386
	3,386	–	657,814	661,200

Financial assets at 28 February 2019

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
US micro-cap	–	–	478,970	478,970
European micro-cap	–	–	70,686	70,686
Real estate	–	–	443,044	443,044
Other investments	–	–	18,302	18,302
Listed investments	3,269	–	–	3,269
	3,269	–	1,011,002	1,014,271

Financial liabilities designated at fair value through profit or loss at inception

Financial liabilities at 29 February 2020

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Convertible Subordinated Unsecured Loan Stock	–	49,886	–	49,886
	–	49,886	–	49,886

Financial liabilities at 28 February 2019

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Convertible Subordinated Unsecured Loan Stock	54,274	–	–	54,274
	54,274	–	–	54,274

Transfers between levels

During the year, it was concluded that market transactions for the CULS do not take place with sufficient frequency and volume to provide adequate pricing information on an ongoing basis and therefore do not justify a Level 1 categorisation. Therefore, it is now considered the CULS are not traded in an active market and are therefore categorised at Level 2 as defined by IFRS. The transfer took place on 31 August 2019, based on the closing price at the date of transfer being £10.60 (total value £41.2 million or $50.2 million using the appropriate exchange rate).

Valuation techniques

In valuing investments in accordance with IFRS, the Board follows the principles as detailed in the IPEVCA guidelines.

When fair values of listed equity and debt securities at the reporting date are based on quoted market prices or binding dealer price quotations (bid prices for long positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

Investments for which there are no active markets are valued according to one of the following methods:

Real estate

JZCP makes its real estate investments through a wholly-owned subsidiary, which in turn owns interests in various residential, commercial, and development real estate properties. The net asset value of the subsidiary is used for the measurement of fair value. The underlying fair value of JZCP's Real Estate holdings, however, is represented by the properties themselves. The Company's Investment Adviser and Board review the fair value methods and measurement of the underlying properties on a quarterly basis. Where available, the Company will use third party appraisals on the subject property, to assist the fair value measurement of the underlying property. Third-party appraisals are prepared in accordance with the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors. Fair value techniques used in the underlying valuations are:

- Use of comparable market values per square foot of properties in recent transactions in the vicinity in which the property is located, and in similar condition, of the relevant property, multiplied by the property's square footage.
- Discounted Cash Flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a Market Capitalisation ("MC") rate, or interest rate.
- Relevant rental stream less expenses divided by the market capitalization rate; this method approximates the enterprise value construct used for non-real estate assets.
- Income capital approach using the relevant sell out analysis, less expenses and costs.

For each of the above techniques third party debt is deducted to arrive at fair value.

The valuations obtained in relation to the real estate portfolio are dated 31 December 2019 and were received in March 2020. In discussions after the year end with the appraisers there was no indication that there may have been a significant shift in values between 31 December and 29 February. Due to the inherent uncertainties of real estate valuation, the values reflected in the financial statements may differ significantly from the values that would be determined by negotiation between parties in a sales transaction and those differences could be material.

Post year end, effects of the COVID-19 crisis since then on values of the real estate investments are expected to be significant and adverse although their quantum cannot yet be estimated. Further appraisals will be commissioned to establish the value of the real estate portfolio as at 31st August 2020, the Company's half year end and the date to which the Interim Results for the Company's financial year ending 28th February 2021 will be presented.

Unquoted preferred shares, unquoted equities and equity related securities

Unquoted equities and equity related securities investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss. These investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last twelve months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the Board consider inter alia, where practical, the multiples used in recent transactions in comparable unquoted companies, previous valuation multiples used and where appropriate, multiples of comparable publicly traded companies. In accordance with IPEVCA guidelines, a marketability discount is applied which reflects the discount that in the opinion of the Board, market participants would apply in a transaction in the investment in question. The increase of the fair value of the aggregate investment is reflected through the unquoted equity component of the investment and a decrease in the fair value is reflected across all financial instruments invested in an underlying company.

Notes to the Financial Statements continued

5. Fair Value of Financial Instruments continued

In respect of unquoted preferred shares the Company values these investments at fair value by reference to the attributable enterprise value as the exit strategy in respect to these investments would be a one tranche disposal together with the equity component. The fair value of the investment is determined by reference to the attributable enterprise value reduced by senior debt and marketability discount.

Micro-cap loans

Investments in micro-cap debt are valued at fair value by reference to the attributable enterprise value when the Company also holds an equity position in the investee company.

When the Company invests in micro-cap loans and does not hold an equity position in the underlying investee company these loans are valued at amortised cost in accordance with IFRS 9 (Note 2). The carrying value at amortised cost is considered to approximate to fair value.

Other Investments

Other investments at year end, comprise of mainly the Company's investment in the asset management business – Spruceview Capital Partners ("Spruceview"). Spruceview is valued using a valuation model which considers both current assets under management ("AUM") and the potential for new AUM.

Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 29 February 2020 and 28 February 2019 are shown below:

	Value 29.2.2020 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used	Effect on Fair Value US$'000	
US micro-cap investments	404,880	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5% – 16.3% (8.7%)	-0.5x/+0.5x	(32,240)	33,918
			Discount to Average Multiple	10% – 30% (17%)	+5%/-5%	(39,497)	40,898
European micro-cap investments	71,619	EBITDA Multiple	Average EBITDA Multiple of Peers	6.7x – 14.0x (10.0x)	-0.5x/+0.5x	(4,210)	4,210
			Discount to Average Multiple	3% – 58% (16%)	+5%/-5%	(4,380)	4,380
Real estate[1,2,3]	73,126	Comparable Sales	Market Value Per Square Foot	$286 – $1,964 ($795) per sq ft	-10%/+10%	(21,188)	22,717
	45,283	DCF Model/ Income Approach	Capitalisation Rate Discount Rate	5.25% – 5.75% (5.5%) 6.25% – 7.50% (6.5%)	+50bps/ -50bps	(19,797)	27,497
	32,518	Cap Rate/ Income Approach	Capitalisation Rate	4.75% – 6.0% (5.75%)	+50bps/ -50bps	(13,671)	16,084
Other investments	20,338	AUM Approach	AUM	$3.2 Bn	-10%/+10%	(4,065)	4,065
			% Applied to AUM	2.6%	-10%/+10%	(2,034)	2,034

	Value 28.2.2019 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used[1]	Effect on Fair Value US$'000	
US micro-cap investments	478,970	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0% – 16.3x (8.5x)	-0.5x/+0.5x	(37,624)	39,780
			Discount to Average Multiple	15% – 35% (23%)	+5%/-5%	(47,352)	49,662
European micro-cap investments	70,686	EBITDA Multiple	Average EBITDA Multiple of Peers	5.2x – 12.1x (8.7x)	-0.5x/0.5x	(8,934)	8,934
			Discount to Average Multiple	0% – 29% (19%)	+5%/-5%	(7,316)	7,316
Real estate[1,2]	443,043	Comparable Sales	Market Value Per Square Foot	$324 – $3,113 ($1,441) per sq ft	-5%/+5% +25bps/-25bps	(13,852)	13,141
		Model/ Income Approach	Discount Rate	5.5% – 6.5% (6.2%)		(939)	1,479
		Cap Rate/ Income Approach	Capitalisation Rate	3.25% – 5.5% (4.5%)	+25bps/ -25bps	(6,692)	7,116
Other investments	17,093	AUM Approach	AUM	$2.6 Bn – $2.0Bn	-10%/+10%	(3,112)	3,294

[1] The Fair Value of JZCP's investment in financial interests in Real Estate is measured as JZCP's percentage interest in the value of the underlying properties.

[2] Sensitivity is applied to the property value and then the debt associated to the property is deducted before the impact to JZCP's equity value is calculated. Due to gearing levels in the property structures an increase in the sensitivity of measurement metrics at property level will result in a significantly greater impact at JZCP's equity level. The sensitivity applied for the year ended 29 February 2020 has been increased to reflect the potential increased volatility of the real estate portfolio.

[3] Other real estate assets totalling $7.8 million are excluded from sensitivity analysis.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting year.

Year ended 29 February 2020

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
At 1 March 2019	478,970	70,686	443,044	18,302	1,011,002
Investments in year including capital calls	9,678	12,635	51,196	4,301	77,810
Payment In Kind ("PIK")	26,205	–	–	–	26,205
Proceeds from investments realised	(122,031)	(13,643)	(4,622)	–	(140,296)
Net gains/(losses) on investments	12,459	1,941	(330,906)	–	(316,506)
Movement in accrued interest	(401)	–	–	–	(401)
At 29 February 2020	404,880	71,619	158,712	22,603	657,814

Year ended 28 February 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
At 1 March 2018	488,258	46,108	463,391	15,302	1,013,059
Investments in year including capital calls	106,540	18,388	57,965	3,000	185,893
Payment In Kind ("PIK")	20,514	–	–	–	20,514
Proceeds from investments realised	(153,371)	(863)	(51,800)	–	(206,034)
Net gains/(losses) on investments	16,686	7,053	(26,512)	–	(2,773)
Movement in accrued interest	343	–	–	–	343
At 28 February 2019	478,970	70,686	443,044	18,302	1,011,002

Notes to the Financial Statements continued

5. Fair Value of Financial Instruments continued

Fair value of Zero Dividend Preference ("ZDP") shares

The fair value of the ZDP shares is deemed to be their quoted market price. As at 29 February 2020, the ask price for the ZDP (2022) shares was £4.34 (28 February 2019: £4.36) the total fair value of the ZDP shares was $66,010,000 (28 February 2019: $69,056,000) which is $1,500,000 (28 February 2019: $5,218,000) higher than the liability recorded in the Statement of Financial Position.

ZDP shares are recorded at amortised cost and would fall in to the Level 1 hierarchy if valued at FVTPL.

6. Net Loss on Investments at Fair Value Through Profit or Loss

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Net loss on investments held in investment portfolio at year end		
Net movement in unrealised gains/losses position during year	**(342,851)**	(86,839)
Net unrealised gains in prior years now realised	**13,576**	79,476
Net unrealised loss on investments held at the year end	**(329,275)**	(7,363)
Gains on investments realised in year		
Proceeds from investments realised	**140,296**	256,974
Cost of investments realised	**(113,951)**	(172,908)
Net realised gains	**26,345**	84,066
Net unrealised gains in prior years now realised	**(13,576)**	(79,476)
Total gains in the year on investments realised	**12,769**	4,590
Net loss on investments during the year	**(316,506)**	(2,773)

7. Expected credit losses

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Impairments on loans during year	**29,318**	75

Expected Credit Losses ("ECLs") are recognised in three stages. Stage one being for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). Stage two being for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Stage three being credit exposures which are considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

As from 1 June 2019, the Company recognised ECLs on its investment in Ombuds per the stage two methodology due to the likelihood that the portfolio company would enter bankruptcy (which it did in the summer of 2019). As from 1 December 2019 the Company provided for ECLs to write down the value of the Ombuds loans to nil as no recovery of the loan is expected. Following the default event, the loan is now classified as Level 3 stage, consequently no further interest is being recognised on the loan. ECLs recognised on other direct loan investments are done per the stage one methodology being the recognition of expected losses over a 12 month period (or to maturity date if earlier).

See Note 21 for information on credit risk, how amounts are determined and staging.

8. Investment Income

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Interest revenue calculated using the effective interest method	**5,740**	7,884
Other interest and similar income	**27,524**	20,939
	33,264	28,823

Income for the year ended 29 February 2020

	Dividends US$ '000	**Preferred Dividends US$ '000**	**Loan note PIK US$ '000**	**Loan note Cash US$ '000**	**Other Income US$ '000**	**Total US$ '000**
US micro-cap portfolio	**560**	**26,131**	**218**	**1,023**	**–**	**27,932**
European micro-cap portfolio	**–**	**–**	**4,499**	**–**	**1,221**	**5,720**
Real estate	**–**	**–**	**–**	**–**	**(454)**	**(454)**
Treasury bills	**–**	**–**	**–**	**–**	**66**	**66**
	560	**26,131**	**4,717**	**1,023**	**833**	**33,264**

Income for the year ended 28 February 2019

	Dividends US$ '000	Preferred Dividends US$ '000	Loan note PIK US$ '000	Loan note Cash US$ '000	Other Income US$ '000	Total US$ '000
US micro-cap portfolio	–	20,737	119	1,279	–	22,135
European micro-cap portfolio	–	–	6,079	407	–	6,486
Real estate	–	–	–	–	142	142
Treasury bills	–	–	–	–	60	60
	–	20,737	6,198	1,686	202	28,823

9. Finance Costs

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Interest expense calculated using the effective interest method		
ZDP shares (Note 15)	**3,211**	3,148
Loan interest (Note 16)	**14,293**	12,684
	17,504	15,832
Other interest and similar expense		
CULS finance costs paid (Note 14)	**2,956**	3,155
Total finance costs	**20,460**	18,987

Notes to the Financial Statements continued

10. Expenses

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Investment Adviser's base fee	**15,224**	16,733
Investment Adviser's incentive fee	**(35,880)**	2,161
Directors' remuneration	**421**	458
	(20,235)	19,352
Administrative expenses:		
Legal fees	**1,730**	956
Other professional fees	**666**	482
Accounting, secretarial and administration fees	**350**	370
Auditors' remuneration	**458**	290
Auditors' remuneration – non-audit fees	**65**	121
Custodian fees	**27**	45
Other expenses	**412**	377
	3,708	2,641
Total expenses	**(16,527)**	21,993

Administration Fees

Northern Trust International Fund Administration Services (Guernsey) Limited was appointed as Administrator to the Company on 1 September 2012. The Administrator is entitled to an annual fee of $350,000 (28 February 2019: $350,000) payable quarterly in arrears. Fees payable to the Administrator are subject to an annual fee review. In the comparative year, a further fee of $20,000 was paid to the Administrator during the year in relation to services provided for facilitating share buy backs.

Directors' Remuneration

For the year ended 29 February 2020 total Directors' fees included in the Statement of Comprehensive Income were $421,000 (year ended 28 February 2019: US$458,000), of this amount $58,000 was outstanding at the year end (28 February 2019: $80,000). The Directors' remuneration report in the annual report provides further details of the remuneration paid.

Investment Advisory and Performance fees

The Company entered into the amended and restated investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc. (the "Investment Adviser") on 23 December 2010 (the "Advisory Agreement").

Pursuant to the Advisory Agreement, the Investment Adviser is entitled to a base management fee and to an incentive fee. The base management fee is an amount equal to 1.5 per cent. per annum of the average total assets under management of the Company less excluded assets as defined under the terms of the Advisory Agreement. The base management fee is payable quarterly in arrears; the agreement provides that payments in advance on account of the base management fee will be made.

For the year ended 29 February 2020, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of $15,224,000 (year ended 28 February 2019: $16,733,000). Of this amount $1,179,000 (28 February 2019: $2,102,000) was due and payable at the year end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company ("Income Incentive fee") and is payable quarterly in arrears provided that the net investment income for the quarter exceeds 2 per cent of the average of the net asset value of the Company for that quarter (the "hurdle") (8 per cent. annualised). The fee is an amount equal to (a) 100 per cent of that proportion of the net investment income for the quarter as exceeds the hurdle, up to an amount equal to a hurdle of per cent, and (b) 20 per cent. of the net investment income of the Company above a hurdle of 2.5 per cent in any quarter. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also prepared at the end of each financial year to determine if further fees are payable to the Investment Adviser or if any amounts are recoverable from future income incentive fees.

For the years ended 29 February 2020 and 28 February 2019 there was no income incentive fee.

The second part of the incentive fee is calculated by reference to the net realised capital gains ("Capital Gains Incentive fee") of the Company and is equal to: (a) 20 per cent. of the realised capital gains of the Company for each financial year less all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments and assets of the EuroMicrocap Fund 2010, L.P. and JZI Fund III, L.P. are excluded from the calculation of the fee.

For the purpose of calculating incentive fees, cumulative preferred dividends received on the disposal of an investment are treated as a capital return rather than a receipt of income.

At 29 February 2020, a CGIF of $2,307,000 (28 February 2019: $21,429,000) based on net realised gains was payable to the Investment Adviser based on realised gains during the year ended 28 February 2019.

During the process of announcing the Company's interim results the Investment Adviser agreed to waive fees payable by the Company of $14.5 million relating to realised gains in the year ended 28 February 2019. Further fees becoming payable for realised gains in the current fiscal year of $10.1 million have also been waived. No further incentive fees will be paid to the Investment Adviser until the Company and Investment Adviser have mutually agreed to reinstate such payments.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. As at 29 February 2020, accumulated unrealised losses exceeded unrealised gains therefore no provision (28 February 2019: $21,429,000) has been included.

	Provision At 29.2.2020 US$ '000	Provision At 28.2.2019 US$ '000	Paid In Year 29.2.2020 US$ '000	Reversal of Expense 29.2.2020 US$ '000
Provision for CGIF on unrealised investments	**–**	(21,342)	**–**	**(21,342)**
CGIF on realised investments	**2,307**	(21,429)	**4,584**	**(14,538)**
	2,307	(42,771)	**4,584**	**(35,880)**

	Provision At 28.2.2019 US$ '000	Provision At 28.2.2018 US$ '000	Paid In Year 28.2.2019 US$ '000	Expense 28.2.2019 US$ '000
Provision for CGIF on unrealised investments	21,342	(40,610)	–	(19,268)
CGIF on realised investments	21,429	(996)	996	21,429
	42,771	(41,606)	996	2,161

The Advisory Agreement may be terminated by the Company or the Investment Adviser upon not less than two and one-half years' (i.e. 913 days') prior notice (or such lesser period as may be agreed by the Company and Investment Adviser).

Notes to the Financial Statements continued

10. Expenses continued

Custodian Fees

HSBC Bank (USA) N.A, (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of $2,000 and a transaction fee of $50 per transaction. For the year ended 29 February 2020, total Custodian expenses of $27,000 (28 February 2019: $45,000) were included in the Statement of Comprehensive Income of which $10,000 (28 February 2019: $13,000) was outstanding at the year end and is included within Other Payables.

Auditors' Remuneration

During the year ended 29 February 2020, the Company incurred fees for audit services of $458,000 (28 February 2019: $290,000). Fees are also payable to Ernst & Young for non-audit services including taxation services in relation to the Company's status as a Passive Foreign Investment Company.

Audit Fees	29.2.2020 US$ '000	28.2.2019 US$ '000
Audit fees accrued – 2020: £305,000[1]	**395**	–
Audit fees – 2019: £257,750	**63**	269
Disbursements relating to 2019 audit	**–**	13
Audit fees – 2018: £218,000 under accrual at prior year end	**–**	8
Total audit fees	**458**	290

Non-audit Fees Paid to Ernst & Young	US$ '000	US$ '000
Interim Review – no review for 31 August 2019 (31 August 2018: £42,500)	**–**	56
Taxation services	**65**	65
Total non-audit fees	**65**	121

[1] Post year end, additional audit fees of £60,000 were agreed by the Audit Committee.

11. Taxation

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended).

During the year, withholding tax of $126,000 was provided for on receipt of a dividend from an unlisted investment. At 29 February 2020, a prior period provision of $1,004,000 was reversed. This related to dividends received from a listed investment realised in 2012. At 29 February 2020, the Company has provided for $523,000 (28 February 2019: $1,401,000 of potential witholding tax).

12. Investments

	Category of financial instruments			
	Listed FVTPL 29.2.2020 US$ '000	Unlisted FVTPL 29.2.2020 US$ '000	Unlisted Loans 29.2.2020 US$ '000	Carrying Value Total 29.2.2020 US$ '000
Book cost at 1 March 2019	**3,312**	**980,120**	**66,849**	**1,050,281**
Investments in year including capital calls	**6,706**	**77,810**	**–**	**84,516**
Payment in kind ("PIK")	**–**	**26,205**	**5,090**	**31,295**
Proceeds from realisation and repayment of investments	**(6,700)**	**(140,296)**	**–**	**(146,996)**
Interest received on maturity	**67**	**–**	**–**	**67**
Net realised investment and foreign exchange gain	**–**	**26,345**	**–**	**26,345**
Book cost at 29 February 2020	**3,385**	**970,184**	**71,939**	**1,045,508**
Unrealised net investment and foreign exchange loss	**–**	**(316,149)**	**(11,077)**	**(327,226)**
Impairment on loans at amortised cost	**–**	**–**	**(30,261)**	**(30,261)**
Accrued interest	**1**	**3,779**	**371**	**4,151**
Carrying value at 29 February 2020	**3,386**	**657,814**	**30,972**	**692,172**

Comparative reconciliation for the year ended 28 February 2019

	Category of financial instruments			
	Listed FVTPL 28.2.2019 US$ '000	Unlisted FVTPL 28.2.2019 US$ '000	Unlisted Loans 28.2.2019 US$ '000	Carrying Value Total 28.2.2019 US$ '000
Book cost at 1 March 2018	49,845	895,680	60,956	1,006,481
Investments in year including capital calls	6,579	183,722	12,304	202,605
Payment in kind ("PIK")	–	20,514	5,893	26,407
Proceeds from realisation and repayment of investments	(53,112)	(203,862)	(11,720)	(268,694)
Net realised investment and foreign exchange gain/(loss)	–	84,066	(584)	83,482
Book cost at 28 February 2019	3,312	980,120	66,849	1,050,281
Unrealised investment gain and foreign exchange gain/(loss)	–	26,702	(8,389)	18,313
Impairment on loans at amortised cost	–	–	(1,470)	(1,470)
Accrued interest	2	4,180	1,022	5,204
Carrying value at 28 February 2019	3,314	1,011,002	58,012	1,072,328

The cost of PIK investments is deemed to be interest not received in cash but settled by the issue of further securities when that interest has been recognised in the Statement of Comprehensive Income.

Loans at amortised cost

Direct loans to European micro-cap companies are classified and measured as Loans at amortised under IFRS 9.

Interest on the loans accrues at the following rates:

	As At 29 February 2020				As At 28 February 2019			
	8%	10%	14%	Total	8%	10%	14%	Total
Loans at amortised cost	**25,289**	**1,616**	**4,067**	**30,972**	24,902	1,528	31,582	58,012

Maturity dates are as follows:

	As At 29 February 2020				As At 28 February 2019			
	0-6 months $'000	7-12 months $'000	1-2 years $'000	Total $'000	0-6 months $'000	7-12 months $'000	1-2 years $'000	Total $'000
Loans at amortised cost	**3,827**	**27,145**	**–**	**30,972**	35,550	–	22,462	58,012

Investment in Associates

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities.
The Company has elected for an exemption for 'equity accounting' for associates and instead classifies its associates as Investments at fair value through profit or loss.

Entity	Place of incorporation	% Interest	29.2.2020 US$'000	28.2.2019 US$'000
JZI Fund III GP, LP (has 18.75% partnership interest in JZI Fund III, LP)	Cayman	75%	**68,887**	66,816
Orangewood Partners Platform LLC[1]	Delaware	79%	**74,694**	57,493
Spruceview Capital Partners, LLC	Delaware	49%	**20,338**	17,093
EuroMicrocap Fund 2010, L.P. ("EMC 2010")[2]	Cayman	75%	**2,732**	3,870
Investments in associates at fair value			**166,651**	145,272

Notes to the Financial Statements continued

12. Investments continued

The principal activity of all the JZI Fund III, EuroMicrocap Fund 2010, L.P. and Orangewood Partners Platform LLC is the acquisition of micro-cap companies. The principal activity of Spruceview Capital Partners, LLC is that of an asset management company. There are no significant restrictions on the ability of associates to transfer funds to the Company in the form of dividends or repayment of loans or advances.

The Company's maximum exposure to losses from the associates (shown below) equates to the carrying value plus outstanding commitments:

Entity	29.2.2020 US$'000	28.2.2019 US$'000
JZI Fund III GP, L.P.	**94,830**	103,182
Orangewood Partners Platform LLC[1]	**91,941**	57,493
Spruceview Capital Partners, LLC	**20,558**	19,083
EuroMicrocap Fund 2010, L.P.[2]	**2,732**	3,870
	210,061	183,628

[1] Invests in K2 Towers II, George Industries, Peaceable Street Capital, ABTB and Orangewood Partners II-A L.P.
[2] EMC-C and EMC 2010 have now merged in to one entity EuroMicrocap Fund 2010, L.P.

Investment in Subsidiaries

The principal place of business for subsidiaries is the USA. The Company meets the definition of an Investment Entity in accordance with IFRS 10. Therefore, it does not consolidate its subsidiaries but rather recognises them as investments at fair value through profit or loss.

Entity	Place of incorporation	% Interest	29.2.2020 US$'000	28.2.2019 US$'000
JZCP Realty, Ltd	Cayman	100%	**158,712**	443,044
JZBC, Inc. (Invests in Spruceview Capital Partners, LLC)	Delaware	99%	**20,338**	17,093
Investments in subsidiaries at fair value			**179,050**	460,137

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company.
The Company has no contractual commitments to provide any financial or other support to its unconsolidated subsidiaries.

JZCP Realty Ltd has a 100% interest in the following Delaware incorporated entities: JZCP Loan 1 Corp, JZCP Loan Fulton Corp, JZCP Loan Flatbush Corp, JZCP Loan Flatbush Portfolio Corp, JZCP Loan Metropolitan Corp, JZCP Loan Greenpoint Corp, JZCP Loan Florida Corp, JZCP Loan Design Corp and JZCP Loan Esperante Corp.

JZCP Realty Ltd has a 99% interest in the following Delaware incorporated entities: JZ REIT Fund 1, LLC, JZCP Loan Fulton Corp, JZ REIT Fund Fulton, LLC, JZ REIT Fund Flatbush, LLC, JZ REIT Fund Flatbush Portfolio, LLC, JZ REIT Fund Metropolitan, LLC, JZ REIT Fund Greenpoint, LLC, JZ REIT Fund Florida LLC, JZ REIT Fund Design LLC and JZ REIT Fund Esperante LLC.

13. Other Receivables

	29.2.2020 US$ '000	28.2.2019 US$ '000
Other receivables and prepayments	**119**	91
Deposits paid on behalf of JZCP Realty, Ltd	**–**	700
Accrued interest due from JZCP Realty, Ltd	**–**	495
	119	1,286

14. Convertible Subordinated Unsecured Loan Stock ("CULS")

On 30 July 2014, JZCP issued £38,861,140 6% CULS. Holders of CULS may convert the whole or part (being an integral multiple of £10 in nominal amount) of their CULS into Ordinary Shares. Conversion Rights may be exercised at any time during the period from 30 September 2014 to 10 business days prior to the maturity date being the 30 July 2021. The initial conversion price is £6.0373 per Ordinary Share, which shall be subject to adjustment to deal with certain events which would otherwise dilute the conversion of the CULS. These events include consolidation of Ordinary Shares, dividend payments made by the Company, issues of shares, rights, share-related securities and other securities by the Company and other events as detailed in the Prospectus.

CULS bear interest on their nominal amount at the rate of 6.00% per annum, payable semi-annually in arrears. During the year ended 29 February 2020: $2,956,000 (28 February 2019: $3,155,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Fair Value of CULS at 1 March	**54,274**	59,970
Unrealised movement in fair value of CULS	**(2,326)**	(3,748)
Unrealised currency gain to the Company on translation during the year	**(2,062)**	(1,948)
Gain on financial liabilities at fair value through profit or loss	**(4,388)**	(5,696)
Fair Value of CULS based on offer price	**49,886**	54,274

The CULS are valued at fair value being the listed offer price at the year end. Given the illiquid nature of the instruments, which drove the reclassification to Level 2, the Company considers the potential need to apply an adjustment to the listed offer price. No adjustment was applied at the year-end. The Company has assessed the movement in the fair value of the CULS and concluded changes in the offer price are the result of increased demand due to the underlying price of the Company's Ordinary shares and underlying interest rates. Any change in the fair value due to perceived changes in the Company's credit risk is deemed immaterial.

15. Zero Dividend Preference ("ZDP") Shares

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares in to new ZDP shares with a 2022 maturity date. The ZDP (2022) shares have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately $73,569,000 using the exchange rate at year end). The remaining 8,799,421 ZDP (2016) shares were redeemed on 22 June 2016 the total redemption value being £32,870,000.

ZDP shares are designed to provide a pre-determined final capital entitlement which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. The ZDP shares carry no entitlement to income and the whole of their return will therefore take the form of capital. In certain circumstances, ZDP shares carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Incorporation. Issue costs are deducted from the cost of the liability and allocated to the Statement of Comprehensive Income over the life of the ZDP shares.

ZDP (2022) Shares

	29.2.2020 US$ '000	28.2.2019 US$ '000
Amortised cost at 1 March	**63,838**	62,843
Finance costs allocated to Statement of Comprehensive Income	**3,211**	3,148
Unrealised currency gain to the Company on translation during the year	**(2,539)**	(2,153)
Amortised cost at year end	**64,510**	63,838
Total number of ZDP (2022) shares in issue	**11,907,720**	11,907,720

Notes to the Financial Statements continued

16. Loan Payable

	29.2.2020 US$ '000	28.2.2019 US$ '000
Guggenheim Partners Limited	**150,362**	149,227
	150,362	149,227

Guggenheim Partners Limited

On 12 June 2015, JZCP entered into a loan agreement with Guggenheim Partners Limited. The agreement was structured so that part of the proceeds (€18 million) was received and will be repaid in Euros and the remainder of the facility were received in US dollars ($80 million). During April 2017, JZCP increased its credit facility with Guggenheim Partners by $50 million.

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR[1]. There is an interest rate floor that stipulates LIBOR will not be lower than 1%. In this agreement, the presence of the floor does not significantly alter the amortised cost of the instrument, therefore separation is not required and the loan is valued at amortised cost using the effective interest rate method. There was an early repayment charge of 1% of the total loan, which expired in 2017.

At 29 February 2020, investments and cash valued at $668,141,000[2] (28 February 2019: $951,164,000) were held as collateral on the loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of $15 million plus 50% of interest on any new debt. At 29 February 2020 and throughout the year, the Company was in full compliance with covenant terms. Post year end, the Company obtained agreement from the parties to the loan facility for an extension to the time for delivery of this annual report, the release of which was delayed on account of COVID-19.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Amortised cost (Dollar drawdown) – 1 March	**128,838**	128,407
Amortised cost (Euro drawdown) – 1 March	**20,389**	21,718
Finance costs charged to Statement of Comprehensive Income	**14,293**	12,684
Interest and finance costs paid	**(12,436)**	(12,142)
Unrealised currency gain on translation of Euro drawdown	**(722)**	(1,440)
Amortised cost at year end	**150,362**	149,227
Amortised cost (Dollar drawdown)	**130,523**	128,838
Amortised cost (Euro drawdown)	**19,839**	20,389
	150,362	149,227

The carrying value of the loans approximates to fair value.

1 LIBOR rates applied are the US dollar 3 month rate ($80 million) and the Euro 3 month rate (€18 million).
2 Investments held as collateral exclude the Company's investment in Spruceview and 35% of the value of investments held by JZCP Realty.

17. Other Payables

	29.2.2020 US$ '000	28.2.2019 US$ '000
Provision for tax on dividends received not withheld at source	**523**	1,401
Legal fee provision	**250**	250
Audit fees	**190**	185
Directors' remuneration	**58**	80
Other expenses	**204**	218
	1,225	2,134

18. Share Capital

Authorised Capital

Unlimited number of ordinary shares of no par value.

Ordinary shares – Issued Capital

	29.2.2020 Number of shares	28.2.2019 Number of shares
Total Ordinary shares in issue	**77,474,175**	80,666,838

During the year, the Company bought back 3,192,663 of its own Ordinary shares as part of a tender offer. The shares were purchased at a price of $9.39 (£7.67) per share being a 5% discount to the NAV at 31 July 2019, the total cost of the repurchase of the shares was $29.979 million. In the comparative year ended 28 February 2019, the Company bought back 3,240,678 of its Ordinary shares at a cost of $19.081 million. All shares repurchased have subsequently been cancelled.

The Company's shares trade on the London Stock Exchange's Specialist Fund Segment.

The Ordinary shares carry a right to receive the profits of the Company available for distribution by dividend and resolved to be distributed by way of dividend to be made at such time as determined by the Directors.

In addition to receiving the income distributed, the Ordinary shares are entitled to the net assets of the Company on a winding up, after all liabilities have been settled and the entitlement of the ZDP shares have been met. In addition, holders of Ordinary shares will be entitled on a winding up to receive any accumulated but unpaid revenue reserves of the Company, subject to all creditors having been paid out in full but in priority to the entitlements of the ZDP shares. Any distribution of revenue reserves on a winding up is currently expected to be made by way of a final special dividend prior to the Company's eventual liquidation.

Holders of Ordinary shares have the rights to receive notice of, to attend and to vote at all general meetings of the Company.

Capital raised on issue of new shares and capital repaid on buy back of shares

Subsequent amounts raised by the issue of new shares (net of issue costs) and amounts paid to buy back Ordinary shares, are credited/debited to the share capital account.

Share Capital Account

	29.2.2020 US$ '000	28.2.2019 US$ '000
At beginning of year	**246,604**	265,685
Buy back of Ordinary shares	**(29,979)**	(19,081)
At year end	**216,625**	246,604

19. Capital Management

The Company's capital is represented by the Ordinary shares, ZDP shares and CULS.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of its shares.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- To achieve consistent returns while safeguarding capital by investing in a diversified portfolio;
- To maintain sufficient liquidity to meet the expenses of the Company; and
- To maintain sufficient size to make the operation of the Company cost-efficient.

Notes to the Financial Statements continued

19. Capital Management continued

The Company's current focus is on realising the maximum value of the Company's investments and repaying debt. Once this has been achieved, and after the repayment of all debt, the Company intends to return capital to shareholders and will at this point keep under review opportunities to buy back Ordinary shares or ZDP shares. The Company will be seeking shareholder approval for the return of capital to shareholders, should the Company be in a position to do so.

The Company monitors capital by analysing the NAV per share over time and tracking the discount to the Company's share price.

20. Reserves

Capital raised on formation of Company

The Royal Court of Guernsey granted that on the admission of the Company's shares to the Official List and to trading on the London Stock Exchange's market, the amount credited to the share premium account of the Company immediately following the admission of such shares be cancelled and any surplus thereby created accrue to the Company's distributable reserves to be used for all purposes permitted by The Companies (Guernsey) Law, 2008, including the purchase of shares and the payment of dividends.

Summary of reserves attributable to Ordinary shareholders

	29.2.2020 US$ '000	28.2.2019 US$ '000
Share capital account	**216,625**	246,604
Other reserve	**353,528**	353,528
Retained earnings/(deficit)	**(94,419)**	210,130
	475,734	810,262

Other reserve

There was no movement in the Company's Other reserve for the years ended 29 February 2020 and 28 February 2019.

Subject to satisfaction of the solvency test, all of the Company's capital and reserves are distributable in accordance with The Companies (Guernsey) Law, 2008.

Retained earnings/(deficit)

The Company's loss is now posted to one 'retained earnings' reserve. Previously, profit/loss was split between revenue and capital and reflected in separate reserve accounts. The comparative reserve accounts have been adjusted accordingly.

	29.2.2020 US$ '000	28.2.2019 US$ '000
At beginning of year	**210,130**	218,360
Impact of adoption of IFRS 9	**–**	(1,395)
Loss for the year attributable to revenue	**(304,549)**	(6,835)
At year end	**(94,419)**	210,130

21. Financial Risk Management Objectives and Policies

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

The Company's Investment Adviser is responsible for identifying and controlling risks. The Directors supervise the Investment Adviser and are ultimately responsible for the overall risk management approach within the Company.

Risk mitigation

The Company's prospectus sets out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

Market risk

Market risk is defined as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in variables such as equity price, interest rate and foreign currency rate".

The Company's investments are subject to normal market fluctuations and there can be no assurance that no depreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the NAV of the Company.

Changes in industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors, whether affecting the United States alone or other countries and regions more widely, can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's market price risk is managed through diversification of the investment portfolio across various sectors. The Investment Adviser considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk/reward profile is maintained.

Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as a result of changes in the value of individual shares. The equity price risk exposure arose from the Company's investments in equity securities.

The Company does not generally invest in liquid equity investments and the previous portfolio of listed equity investments resulted from the successful flotation of unlisted investments.

For unlisted equity and non-equity shares the market risk is deemed to be inherent in the appropriate valuation methodology (earnings, multiples, capitalisation rates etc). The impact on fair value and subsequent profit or loss, due to movements in these variables, is set out in Note 5 on pages 72 and 73.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. It has not been the Company's policy to use derivative instruments to mitigate interest rate risk, as the Investment Adviser believes that the effectiveness of such instruments does not justify the costs involved.

Notes to the Financial Statements continued

21. Financial Risk Management Objectives and Policies continued

The tables below summarise the Company's exposure to interest rate risks:

	Interest bearing		Non interest	
	Fixed rate 29.2.2020 US$ '000	**Floating rate 29.2.2020 US$ '000**	**bearing 29.2.2020 US$ '000**	**Total 29.2.2020 US$ '000**
Investments at FVTPL	**218,757**	**–**	**442,443**	**661,200**
Loans at amortised cost	**30,972**	**–**	**–**	**30,972**
Cash and cash equivalents	**–**	**52,912**	**–**	**52,912**
Other receivables and prepayments	**–**	**–**	**119**	**119**
Loans payable	**–**	**(150,362)**	**–**	**(150,362)**
ZDP shares (2022)	**(64,510)**	**–**	**–**	**(64,510)**
CULS	**(49,886)**	**–**	**–**	**(49,886)**
Other payables	**–**	**–**	**(4,711)**	**(4,711)**
	135,333	**(97,450)**	**437,851**	**475,734**

	Interest bearing		Non interest	
	Fixed rate 28.2.2019 US$ '000	Floating rate 28.2.2019 US$ '000	bearing 28.2.2019 US$ '000	Total 28.2.2019 US$ '000
Investments at FVTPL	281,665	–	732,651	1,014,316
Loans at amortised cost	58,012	–	–	58,012
Cash and cash equivalents	–	50,994	–	50,994
Other receivables and prepayments	–	–	1,286	1,286
Loans payable	–	(149,227)	–	(149,227)
ZDP shares (2022)	(63,838)	–	–	(63,838)
CULS	(54,274)	–	–	(54,274)
Other payables	–	–	(47,007)	(47,007)
Total net assets	221,565	(98,233)	686,930	810,262

The following table analyses the Company's exposure in terms of the interest bearing assets and liabilities maturity dates. The Company's assets and liabilities are included at their carrying value.

As at 29 February 2020

	0 – 3 months US$ '000	**4 – 12 months US$ '000**	**1 – <3 years US$ '000**	**3 – <5 years US$ '000**	**<5 years US$ '000**	**No maturity date US$ '000**	**Total US$ '000**
Investments at FVTPL	**3,386**	**5,000**	**4,138**	**–**	**–**	**206,233**	**218,757**
Loans at amortised cost	**–**	**30,972**	**–**	**–**	**–**	**–**	**30,972**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**52,912**	**52,912**
Loans payable	**–**	**–**	**(150,362)**	**–**	**–**	**–**	**(150,362)**
ZDP shares (2022)	**–**	**–**	**(64,510)**	**–**	**–**	**–**	**(64,510)**
CULS	**–**	**–**	**(49,886)**	**–**	**–**	**–**	**(49,886)**
	3,386	**35,972**	**(260,620)**	**–**	**–**	**259,145**	**37,883**

As at 28 February 2019

	0 – 3 months US$ '000	4 – 12 months US$ '000	1 – <3 years US$ '000	3 – <5 years US$ '000	<5 years US$ '000	No maturity date US$ '000	Total US$ '000
Investments at FVTPL	–	3,314	17,065	–	–	261,286	281,665
Loans at amortised cost	–	35,550	22,462	–	–	–	58,012
Cash and cash equivalents	–	–	–	–	–	50,994	50,994
Loans payable	–	–	(149,227)	–	–	–	(149,227)
ZDP shares (2022)	–	–	–	(63,838)	–	–	(63,838)
CULS	–	–	(54,274)	–	–	–	(54,274)
	–	38,864	(163,974)	(63,838)	–	312,280	123,332

The income receivable by the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. However, whilst the income received from fixed rate securities is unaffected by changes in interest rates, the investments are subject to risk in the movement of fair value. The Investment Adviser considers the risk in the movement of fair value as a result of changes in the market interest rate for fixed rate securities to be insignificant, hence no sensitivity analysis is provided.

The Company values the CULS issued at fair value, being the quoted offer price. As the stock has a fixed interest rate of 6% an increase/decrease of prevailing interest rates will potentially have an effect on the demand for the CULS and the subsequent fair value. Other factors such as the Company's ordinary share price and credit rating will also determine the quoted offer price. The overall risk to the Company due to the impact of interest rate changes to the CULS' fair value is deemed immaterial. Therefore no sensitivity analysis is presented.

Of the cash and cash equivalents held, $52,912,000 (28 February 2019: $50,994,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

The Investment Adviser monitors the Company's overall interest sensitivity on a regular basis by reference to the current market rate and the level of the Company's cash balances. The Company has not used derivatives to mitigate the impact of changes in interest rates.

The table below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates. The Company has cash at bank and loans payable for which interest receivable and payable are sensitive to a fluctuation to rates. The below sensitivity analysis assumes year end balances and interest rates are constant through the year.

	Interest Receivable[1]		Interest Payable[2]	
Change in basis points increase/decrease	**29.2.2020 US$ '000**	28.2.2019 US$ '000	**29.2.2020 US$ '000**	28.2.2019 US$ '000
+100/-100	**476/(429)**	384/(345)	**(1,153)/1,300**	(1,300)/1,300
+300/-300	**1,429/(429)**	1,151/(345)	**(1,153)/4,432**	(4,452)/2,100

[1] Sensitivity applied to money market account balance and applying the year end rate of 0.9%.
[2] Sensitivity applied to year end balances at relevant rates being $130 million at 7.88% and €18 million at 6.76%.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Changes in exchange rates are considered to impact the fair value of the Company's investments denominated in Euros and Sterling. However, under IFRS the foreign currency risk on these investments is deemed to be part of the market price risk associated with holding such non-monetary investments. As the information relating to the non-monetary investments is significant, the Company also provides the total exposure and sensitivity changes on non-monetary investments on a voluntary basis.

Notes to the Financial Statements continued

21. Financial Risk Management Objectives and Policies continued

The following table sets out the Company's exposure by currency to foreign currency risk.

Exposure to Monetary Assets/Liabilities (held in foreign currencies)

	Euro 29.2.2020 US$ '000	Sterling 29.2.2020 US$ '000	Total 29.2.2020 US$ '000	Euro 28.2.2019 US$ '000	Sterling 28.2.2019 US$ '000	Total 28.2.2019 US$ '000
Loans at Amortised Cost	**30,972**	**–**	**30,972**	58,012	–	58,012
Cash at Bank	**352**	**27**	**379**	7,206	28	7,234
Other Receivables	**–**	**39**	**39**	–	11	11
Liabilities						
CULS	**–**	**(49,886)**	**(49,886)**	–	(54,274)	(54,274)
ZDP (2022) shares	**–**	**(64,510)**	**(64,510)**	–	(63,838)	(63,838)
Loans payable	**(19,839)**	**–**	**(19,839)**	(20,389)	–	(20,389)
Other payables	**–**	**(352)**	**(352)**	–	(503)	(503)
Net Currency Exposure	**11,485**	**(114,682)**	**(103,197)**	44,829	(118,576)	(73,747)

The sensitivity analysis for monetary and non-monetary net assets calculates the effect of a reasonably possible movement of the currency rate against the US dollar on an increase or decrease in net assets attributable to shareholders with all other variables held constant. An equivalent decrease in each of the aforementioned currencies against the US dollar would have resulted in an equivalent but opposite impact.

		Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities)	
Currency	Change in Currency Rate	29.2.2020 US$ '000	28.2.2019 US$ '000
Euro	+10%	**1,149**	4,483
GBP	+10%	**(11,468)**	(11,858)

Exposure to Non-Monetary Assets (held in foreign currencies)

	Euro 29.2.2020 US$ '000	Sterling 29.2.2020 US$ '000	Total 29.2.2020 US$ '000	Euro 28.2.2019 US$ '000	Sterling 28.2.2019 US$ '000	Total 28.2.2019 US$ '000
Financial assets at FVTPL	**60,770**	**11,599**	**72,369**	55,952	15,484	71,436
Net Currency Exposure	**60,770**	**11,599**	**72,369**	55,952	15,484	71,436

		Effect on net assets attributable to shareholders (relates to non-monetary financial assets)	
Currency	Change in Currency Rate	29.2.2020 US$ '000	28.2.2019 US$ '000
Euro	+10%	**6,077**	5,595
GBP	+10%	**1,160**	1,548

Credit risk

The Company takes on exposures to credit risk, which is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. These credit exposures exist within debt instruments and cash & cash equivalents. They may arise, for example, from a decline in the financial condition of a counterparty or from entering into derivative contracts under which counterparties have obligations to make payments to the Company. As the Company's credit exposure increases, it could have an adverse effect on the Company's business and profitability if material unexpected credit losses were to occur. In the event of any default on the Company's loan investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and ability to meet financial obligations.

In accordance with the Company's policy, the Investment Adviser regularly monitors the Company's exposure to credit risk in its investment portfolio, by reviewing the financial statements, budgets and forecasts of underlying investee companies. Agency credit ratings do not apply to the Company's investment in investee company debt. The 'credit quality' of the debt is deemed to be reflected in the fair value valuation of the investee company. The Company's investment in accumulated preferred stock is excluded from below analysis as the instruments are deemed to be more closely associated with the investment in the portfolio companies' equity than its debt.

The table below analyses the Company's maximum exposure to credit risk.

	Total 29.2.2020 US$ '000	Total 28.2.2019 US$ '000
US micro-cap debt	**9,138**	17,065
European micro-cap debt	**30,972**	58,012
US Treasury Bills	**3,386**	3,314
Cash and cash equivalents	**52,912**	50,994
	96,408	129,385

A proportion of micro-cap debt held does not entitle the Company to interest payment in cash. This interest is capitalised (PIK) and as a result there is a credit risk to the Company, as there is no return until the loan plus all the interest, is repaid in full. During the year ended 29 February 2020, the Company recognised PIK interest of $4,717,000 (28 February 2019: $6,198,000) from debt investments as income in the Statement of Comprehensive Income in line with the Company's policy of recognising interest in proportion to the carrying value versus cost.

The following table analyses the concentration of credit risk in the Company's debt portfolio by industrial distribution.

	29.2.2020 US$ '000	28.2.2019 US$ '000
Financial General	**58%**	30%
House, Leisure & Personal Goods	**12%**	7%
Healthcare Services & Equipment	**10%**	5%
Telecom	**10%**	6%
Document Processing	**10%**	5%
Private Security	**–**	36%
Logistics	**–**	11%
	100%	100%

Loans at Amortised Cost and Expected Credit Losses ("ECL")

The Company's direct loans to European micro-cap companies are classified as loans at amortised cost. The credit risk in these investments is deemed to be reflected in the performance and valuation of the investee company. Using IFRS 9's "expected credit loss" model, the Company calculates the allowance for credit losses by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. The IFRS ECL model assumed all loans and receivables carries with it some risk of default, every such asset has an expected loss attached to it from the moment of its origination or acquisition. At the reporting date, the credit risk on the loans to Docout, Toro Finance and Xacom are deemed low-risk and therefore the ECL are considered over the future 12 months or maturity if sooner. In July 2019, Ombuds entered bankruptcy the Company do not believe there will be proceeds to pay any portion of JZCP's loan hence a provision has been made to bring the carrying value down to $nil.

Notes to the Financial Statements continued

21. Financial Risk Management Objectives and Policies continued

Credit risk continued

ECL Provision	29.2.2020 US$ '000	28.2.2019 US$ '000
ECL at 1 March	**1,470**	1,395
Provision during the year for ECL on stage 1 credit exposures	**1,187**	75
Provision during the year for ECL on stage 2 credit exposures	**14,106**	–
Provision during the year for ECL on stage 3 credit exposures	**14,025**	–
Total ECL provision during the year	**29,318**	75
Foreign exchange movement of Euro denominated loss provision revalued at year end	**(527)**	–
ECL at year end	**30,261**	1,470

As at 29 February 2020, of the $30,261,000 (28 February 2019: $1,470,000) recognised as total ECL $905,000 (28 February 2019: $1,470,000) are provisions on stage 1 credit exposures and $29,356,000 (28 February 2019: $nil) are provisions on stage 3 credit exposures. See Note 7 for information on the three stages that ECLs are recognised.

The table below analyses the Company's cash and cash equivalents by rating agency category.

Credit ratings	Standard & Poor's Outlook	LT Issuer Default Rating	29.2.2020 US$ '000
HSBC Bank USA NA	Negative (2019: Stable)	Fitch A+ (2019: AA-)	**52,595**
Raymond James Bank	Stable (2019: Stable)	S&P – BBB+ (2019: BBB+)	**1**
Northern Trust (Guernsey) Limited	Stable (2019: Stable)	S&P AA- (2019: A-1+)	**316**
			52,912

Bankruptcy or insolvency of the Banks may cause the Company's rights with respect to these assets to be delayed or limited. The Investment Adviser monitors risk by reviewing the credit rating of the Bank. If credit quality deteriorates, the Investment Adviser may move the holdings to another bank.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. There has been no change during the year in the Company's processes and arrangements for managing liquidity.

The Company's investments are predominately private equity, real estate and other unlisted investments. By their nature, these investments will generally be of a long term and illiquid nature and there may be no readily available market for sale of these investments. None of the Company's assets/liabilities are subject to special arrangement due to their illiquid nature.

The Company has capital requirements to repay CULS and a debt facility in 2021 and ZDP shareholders in 2022. At the year end the Company has outstanding investment commitments of $48,769,000 (28 February 2019: $43,618,000) see Note 22.

The Company manages liquidity risk and the ability to meet its obligations by monitoring current and expected cash balances from forecasted investment activity.

The table below analyses JZCP's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. Amounts attributed to CULS and ZDP share include future contractual interest payments. Financial commitments are contractual outflows of cash and are included within the liquidity statement.

At 29 February 2020

	Less than 1 year US$ '000	>1 year – 3 years US$ '000	>3 years – 5 years US$ '000	>5 years US$ '000	No stated maturity US$ '000
CULS	**2,978**	**54,594**	**–**	**–**	**–**
ZDP (2022) shares	**–**	**73,569**	**–**	**–**	**–**
Loans payable	**10,163**	**152,829**	**–**	**–**	**–**
Other payables	**4,711**	**–**	**–**	**–**	**523**
Financial commitments (see note 22)	**12,049**	**34,441**	**2,279**	**–**	**–**
	29,901	**315,433**	**2,279**	**–**	**523**

At 28 February 2019

	Less than 1 year US$ '000	>1 year – 3 years US$ '000	>3 years – 5 years US$ '000	>5 years US$ '000	No stated maturity US$ '000
CULS	3,101	56,591	–	–	–
ZDP (2022) shares	–	–	74,387	–	–
Loans payable	12,640	170,029	–	–	–
Other payables	22,162	–	–	–	22,743
Financial commitments (see note 22)	20,173	18,183	5,262	–	–
	58,076	244,803	79,649	–	22,743

22. Commitments

At February 2020 and 28 February 2019, JZCP had the following financial commitments outstanding in relation to fund investments (the below table also shows the amount of outstanding commitments at the date of signing these financial statements):

	Expected date of Call	17.6.2020 US$ '000	29.2.2020 US$ '000	28.2.2019 US$ '000
JZI Fund III GP, L.P. €23,617,789 (28.2.2019: €31,936,400)	over 2 years	27,634	**25,943**	36,366
Orangewood Partners II-A LP	over 3 years	15,901	**17,247**	–
CERPI		2,880	**3,080**	–
Spruceview Capital Partners, LLC	over 1 year	1,675	**220**	1,990
Suzo Happ Group[1]	over 3 years	2,039	**2,039**	4,491
Igloo Products Corp	over 3 years	240	**240**	771
		50,369	**48,769**	43,618

[1] Commitment reduced per amended and restated agreement of Limited Partnership.

23. Related Party Transactions

JZCP invests in European micro-cap companies through JZI Fund III, L.P. ("Fund III"). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010") and EuroMicrocap Fund-C, L.P. ("EMCC"). Fund III, EMC 2010 and EMCC are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan, II. At 29 February 2020, JZCP's investment in Fund III was valued at $68.9 million (28 February 2019: $66.8 million). JZCP's investment in EMC 2010 was valued at $2.7 million (28 February 2019: $3.9 million). EMCC was liquidated in December 2018 and its remaining assets were transferred to EMC 2010.

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 17 June 2020, was $33.5 million with $1.7 million (28 February 2019: $2.0 million) of commitments outstanding. In March 2019, JZCP increased its commitment by an additional $1.475 million to cover JZCP's initial commitment alongside Messrs. Jordan and Zalaznick (and their affiliates) on a 50%/50% basis to Spruceview CERPI PE Fund 2019, L.P. ("CERPI"). JZCP received shareholder approval in June 2019, to invest a further $15 million in Spruceview Capital Partners, LLC, the investment being on the same 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). In March 2020, JZCP increased its commitment by an additional $2.275 million.

Notes to the Financial Statements continued

23. Related Party Transactions continued

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 29 February 2020, the total value of JZCP's investment in these co-investments was $218.7 million (28 February 2019: $251.5 million). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP and, having failed, in the case of Testing Services Holdings, LLC, to make certain preferred ownership investments, the common ownership interest of the Fund A Partnerships in Testing Services has been diluted.

JZAI is a US based company that provides advisory services to the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 10. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP is able to invest up to $75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 29 February 2020 and 28 February 2019, JZCP had invested (before returns of capital) $41.3 million in Avante (formerly named Jordan Health Products) and is therefore able to invest a further $33.7 million. JZCP co-invests 50/50 in Avante with other investors ("JI members"). David Zalaznick and an affiliated entity of Jay Jordan own approximately 33.7% of the JI members' ownership interests.

During the year, JZCP obtained shareholder approval for the sale of 80% of its holdings in both Avante and Orizon to Edgewater Growth Capital Partners ("Edgewater"). Edgewater is a substantial shareholder of JZCP and therefore a related party of the Company. JZCP received proceeds of $37.5 million for the Avante realisation and $28.0 million for Orizon.

During the year, JZCP obtained shareholder approval for the merger of Priority Express with Capstone Logistics. The Merger has resulted in the Company realising its investment in Priority Express by disposing of its entire ownership interests as well as its debt investments therein. Capstone Logistics is a portfolio company of Resolute Fund III. JZCP received proceeds of $17.2 million from the realisation.

Total Directors' remuneration for the year ended 29 February 2020 was $421,000 (28 February 2019: $458,000).

24. Basic and Diluted Earnings/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the year by the weighted average number of Ordinary shares outstanding during the year.

For the year ended 29 February 2020, the weighted average number of Ordinary shares outstanding during the year was 79,053,060 (Year ended 28 February 2019: 82,757,833).

The Company's diluted loss per share is calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). The adjusted weighted average of the number of Ordinary shares for the year ended 29 February 2020 was 85,489,901 (28 February 2019: 89,194,674). Conversion is assumed even though at 29 February 2020 and 28 February 2019 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value gain of $4,388,000 (28 February 2019: $5,696,000 and finance cost attributable to CULS of $2,956,000 (28 February 2019: $3,155,000). For the year ended 29 February 2020, the potential conversion of the CULS would have been anti-dilutive to the total loss per share, therefore the diluted loss per share, for the comparative year, is presented as per the basic loss per share calculation.

25. Controlling Party

The issued shares of the Company are owned by a number of parties, and therefore, in the opinion of the Directors, there is no ultimate controlling party of the Company, as defined by IAS 24 – Related Party Disclosures.

26. Net Asset Value Per Share

The net asset value per Ordinary share of $6.14 (28 February 2019: $10.04) is based on the net assets at the year end of $475,734,000 (28 February 2019: $810,262,000) and on 77,474,175 (28 February 2019: 80,666,838) Ordinary shares, being the number of Ordinary shares in issue at the year end.

27. Contingent Assets

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 29 February 2020 and 28 February 2019, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore recognised the escrow accounts as a contingent asset.

As at 29 February 2020 and 28 February 2019, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Company

	Amount in Escrow	
	29.2.2020 US$'000	28.2.2019 US$'000
Bolder Healthcare Solutions	**343**	3,090
Waterline Renewal Technologies	**431**	–
Water Treatment Systems	**213**	6,051
Xpress Logistics (AKA Priority Express)	**153**	–
Water Filtration Systems	**–**	120
	1,140	9,261

During the year ended 29 February 2020 proceeds of $5,559,000 (28 February 2019: $3,303,000) were realised during the year and recorded in the Statement of Comprehensive Income.

	Year Ended 29.2.2020 US$'000	Year Ended 28.2.2019 US$'000
Escrows at beginning of year	**9,261**	1,952
Escrows added on realisation of investments	**431**	9,261
Potential escrows at prior year end no longer recorded	**(2,993)**	–
Escrow receipts during the year	**(5,559)**	(3,303)
Additional escrows recognised in year not reflected in opening position	**–**	1,351
Escrows held at year end	**1,140**	9,261

28. Notes to the Statement of Cash Flows

Investment income and interest received during the year

	Year Ended 29.2.2020 US$ '000	Year Ended 28.2.2019 US$ '000
Interest on investments	**1,669**	2,076
Dividends on unlisted investments	**1,781**	–
Bank interest	**455**	525
	3,905	2,601

Notes to the Financial Statements continued

28. Notes to the Statement of Cash Flows continued

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the Statement of Cash Flows.

Changes in financing liabilities arising from both cash flow and non-cash flow items

			Non-cash changes			
	1.3.2019 US$ '000	Cash flows US$ '000	Fair Value US$ '000	Finance Costs US$ '000	Foreign Exchange US$ '000	**29.2.2020 US$ '000**
Zero Dividend Preference (2022) shares	63,838	–	–	3,211	(2,539)	**64,510**
Convertible Unsecured Loan Stock	54,274	(2,956)	(2,326)	2,956	(2,062)	**49,886**
Loans payable	149,227	(12,436)	–	14,293	(722)	**150,362**
	267,339	(15,392)	(2,326)	20,460	(5,323)	**264,758**

			Non-cash changes			
	1.3.2018 US$ '000	Cash flows US$ '000	Fair Value US$ '000	Finance Costs US$ '000	Foreign Exchange US$ '000	28.2.2019 US$ '000
Zero Dividend Preference (2022) shares	62,843	–	–	3,148	(2,153)	63,838
Convertible Unsecured Loan Stock	59,970	(3,155)	(3,748)	3,155	(1,948)	54,274
Loans payable	150,125	(12,142)	–	12,684	(1,440)	149,227
	272,938	(15,297)	(3,748)	18,987	(5,541)	267,339

29. Dividends Paid and Proposed

No dividends were paid or proposed for the years ended 29 February 2020 and 28 February 2019.

30. IFRS to US GAAP Reconciliation

The Company's Financial Statements are prepared in accordance with IFRS, which in certain respects differ from US GAAP. These differences are not material and therefore no reconciliation between IFRS and US GAAP has been presented. For reference, please see below for a summary of the key judgments and estimates taken into account with regards to the Company as of 29 February 2020, as well as the Shareholders' financial highlights required under US GAAP.

Assessment as an Investment Entity

As stated in Note 2, the Company meets the definition of an investment entity under IFRS 10 and is therefore required to measure its subsidiaries at fair value through profit or loss rather ("FVTPL") than consolidate them. Per US GAAP (Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements or "ASC 946"), the Company meets the definition of an investment company, and as required by ASC 946, JZCP measures its investment in Subsidiaries at FVTPL.

Fair Value Measurement of Investments

The fair value of the underlying investments held by the Company are determined in accordance with US GAAP and IFRS based on valuation techniques and inputs that are observable in the market which market participants have access to and will use to determine the exit price or selling price of the investments.

Measurement of Liabilities

The Company's loan facility and ZDP shares are recorded at amortised cost using the effective interest rate method in accordance with US GAAP and IFRS. The CULS' fair value is deemed to be the listed offer price at the year end. CULS is translated at the exchange rate at the reporting date and both differences in fair value due to the listed offer price and exchange rates are recognised in the Statement of Comprehensive Income in accordance with US GAAP and IFRS.

The following table presents performance information derived from the financial statements.

	29.2.2020 US$	28.2.2019 US$
Net asset value per share at the beginning of the year	**10.04**	9.98
Performance during the year (per share):		
Net investment income	**0.42**	0.35
Net realised and unrealised (loss)/gain	**(4.30)**	0.06
Incentive fee	**0.45**	(0.03)
Operating expenses	**(0.24)**	(0.25)
Finance costs	**(0.25)**	(0.23)
Accretion from the buy back of Ordinary shares at a discount to NAV	**0.02**	0.16
Total return	**(3.90)**	0.06
Net asset value per share at the end of the year	**6.14**	10.04
Total Return	**(38.81%)**	0.61%
Net investment income to average net assets excluding incentive fee	**4.64%**	1.01%
Operating expenses to average net assets	**(2.71%)**	(2.42%)
Incentive fees to average net assets	**4.97%**	(0.30%)
Operating expenses to average net assets including incentive fee	**2.26%**	(2.72%)
Finance costs to average net assets	**(2.76%)**	(2.33%)

31. Subsequent Events

These financial statements were approved by the Board on 17 June 2020. Subsequent events have been evaluated until this date.

The implications for the Company, of COVID-19 and the resulting lockdown post year end, are further explained within the Directors' Report and Note 3 to the Financial Statements. The Board considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event.

At the date of signing this report, the Board have been unable to quantify the impact on the valuation of the portfolio. As discussed in the Investment Adviser's Report, COVID-19 has severely affected commercial retail real estate and therefore further write downs in the value of the Company's real estate assets are expected. Since the end of the year the Board have been in continuous discussions with the Investment Adviser to assess the impact of COVID-19 on the micro-cap portfolios and to remain up to date on liquidity and performance within the portfolio. As at the date of signing of these financial statements, the Board are pleased with reports that the micro-cap portfolio has so far performed robustly throughout the pandemic, this has enabled the Board to be optimistic about the micro-cap valuations presented in these financial statements.

The uncertainty of the effect of COVID-19 on the valuation of the Company's investment portfolio and also its ability to realise investments within a timeframe to repay debt obligations are considered by the Board to be material uncertainties which could impact the Company's ability to operate as a going concern as noted within the Directors' Report and Note 3 to the Financial Statements.

Company Advisers

Investment Adviser
The Investment Adviser to JZ Capital Partners Limited ("JZCP") is Jordan/Zalaznick Advisers, Inc., ("JZAI") a company beneficially owned by John (Jay) W Jordan II and David W Zalaznick. The company offers investment advice to the Board of JZCP. JZAI has offices in New York and Chicago.

Jordan/Zalaznick Advisers, Inc.
9 West, 57th Street
New York NY 10019

Registered Office
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

JZ Capital Partners Limited is registered in Guernsey Number 48761

Administrator, Registrar and Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

UK Transfer and Paying Agent
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

US Bankers
HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018
(Also provides custodian services to JZ Capital Partners Limited under the terms of a Custody Agreement).

Guernsey Bankers
Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

Independent Auditor
Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

UK Solicitors
Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London E1 6PW

US Lawyers
Monge Law Firm, PLLC
333 West Trade Street
Charlotte, NC 28202

Mayer Brown LLP
214 North Tryon Street
Suite 3800
Charlotte NC 28202

Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

Guernsey Lawyers
Mourant
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4HP

Financial Adviser and Broker
JP Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Useful Information for Shareholders

Listing
JZCP Ordinary, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS") are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist Fund Segment for listed securities.

The price of the Ordinary shares are shown in the Financial Times under "Conventional Private Equity" and can also be found at https://markets.ft.com along with the prices of the ZDP shares and CULS.

ISIN/SEDOL numbers

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	BZ0RY03
CULS	JZCC	GG00BP46PR08	BP46PR0

Key Information Documents
JZCP produces Key Information Documents to assist investors' understanding of the Company's securities and to enable comparison with other investment products. These documents are found on the Company's website – www.jzcp.com/investor-relations/key-information-documents.

Alternative Performance Measures
In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the annual report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the annual report and financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

Total NAV Return
The Total NAV Return measures how the net asset value ("NAV") per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the appreciation/dilution per share caused by the buy back/issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs. The Total NAV Return for the year ended 29 February 2020 was -38.8%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 28 February 2019 was 0.6%.

Total Shareholder Return (Ordinary shares)
A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the year ended 29 February 2020 was -40.7%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2019 was -3.5%.

Useful Information for Shareholders continued

Alternative Performance Measures continued

NAV to market price discount

The NAV per share is the value of all the company's assets, less any liabilities it has, divided by the number of shares. However, because JZCP shares are traded on the London Stock Exchange's Specialist Fund Segment, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. JZCP's discount is calculated by expressing the difference between the period end dollar equivalent share price and the period end NAV per share as a percentage of the NAV per share.

At 29 February 2020, JZCP's Ordinary shares traded at £2.58 (28 February 2019: £4.35) or $3.30 (28 February 2019: $5.79) being the dollar equivalent using the year end exchange rate of £1: $1.28 (28 February 2019 £1: $1.33). The shares traded at a 46% (28 February 2019: 42%) discount to the NAV per share of $6.14 (2019: $10.04).

Ongoing Charges calculation

A measure expressing the Ongoing annualised expenses as a percentage of the Company's average annualised net assets over the year 2.71% (2019: 2.42%). Ongoing charges, or annualised recurring operating expenses, are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the company, excluding the Investment Adviser's Incentive fee, financing charges and gains/losses arising on investments.

Ongoing expenses for the year are $19,353,000 (2019: $19,832,000) comprising of the IA base fee $15,224,000 (2019: $16,733,000), administrative fees $3,708,000 (2019: $2,641,000) and directors fees $421,000 (2019:$458,000). Average net assets for the year are calculated using quarterly NAVs $713,333,000 (2019: $818,383,000).

Criminal Facilitation of Tax Evasion

The Board has approved a policy of zero tolerance towards the criminal facilitation of tax evasion, in compliance with the Criminal Finances Act 2017.

Non-Mainstream Pooled Investments

From 1 January 2014, the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect. JZCP's Ordinary shares qualify as an 'excluded security' under these rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products. Therefore Ordinary shares issued by JZ Capital Partners can continue to be recommended by financial advisers as an investment for UK retail investors.

Internet Address

The Company: www.jzcp.com

Financial Diary

Annual General Meeting	12 August 2020
Interim report for the six months ended 31 August 2020	November 2020 (date to be confirmed)
Results for the year ended 28 February 2021	May 2021 (date to be confirmed)

JZCP will not be issuing an Interim Management Statement for the quarter ended 31 May 2020 due to the delayed release of this Annual Report. It is anticipated an Interim Management Statement for the quarter ended 30 November 2020 will be sent to the market via RNS within six weeks from the end of the quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends

In the event of a cash dividend being paid, the dividend will be sent by cheque to the first-named shareholder on the register of members at their registered address, together with a tax voucher. At shareholders' request, where they have elected to receive dividend proceeds in Sterling, the dividend may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

Share Dealing

Investors wishing to buy or sell shares in the Company may do so through a stockbroker. Most banks also offer this service.

Foreign Account Tax Compliance Act

The Company is registered (with a Global Intermediary Identification Number CAVBUD.999999.SL.831) under The Foreign Account Tax Compliance Act ("FATCA").

Share Register Enquiries

The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, If calling from overseas +44 (0) 121 415 7047 or access their website at www.equiniti.com. Changes of name or address must be notified in writing to the Transfer and Paying Agent.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Documents Available for Inspection

The following documents will be available at the registered office of the Company during usual business hours on any weekday until the date of the Annual General Meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting:

(a) the Register of Directors' Interests in the stated capital of the Company;
(b) the Articles of Incorporation of the Company; and
(c) the terms of appointment of the Directors.

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you are offered, for example, unsolicited investment advice, discounted JZCP shares or a premium price for the JZCP shares you own, you should take these steps before handing over any money:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting http://www.fca.org.uk/firms/systems-reporting/register
- Report the matter to the FCA by calling 0800 111 6768
- If the calls persist, hang up
- More detailed information on this can be found on the Money Advice Service website www.moneyadviceservice.org.uk

US Investors

General

The Company's Articles contain provisions allowing the Directors to decline to register a person as a holder of any class of ordinary shares or other securities of the Company or to require the transfer of those securities (including by way of a disposal effected by the Company itself) if they believe that the person:

(a) is a "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended) and not a "qualified purchaser" (as defined in the US Investment Company Act of 1940, as amended, and the related rules thereunder);
(b) is a "Benefit Plan Investor" (as described under "Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans" below); or
(c) is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by the person would materially increase the risk that the Company could be or become a "controlled foreign corporation" (as described under "US Tax Matters" on pages 101 and 102).

Useful Information for Shareholders continued

US Investors continued

In addition, the Directors may require any holder of any class of ordinary shares or other securities of the Company to show to their satisfaction whether or not the holder is a person described in paragraphs (A), (B) or (C) above.

US Securities Laws

The Company (a) is not subject to the reporting requirements of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and does not intend to become subject to such reporting requirements and (b) is not registered as an investment company under the US Investment Company Act of 1940, as amended (the "1940 Act"), and investors in the Company are not entitled to the protections provided by the 1940 Act.

Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans

Investment in the Company by "Benefit Plan Investors" is prohibited so that the assets of the Company will not be deemed to constitute "plan assets" of a "Benefit Plan Investor". The term "Benefit Plan Investor" shall have the meaning contained in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and includes (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA; (b) a "plan" described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code; and (c) an entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or a plan's investment in such entity. For purposes of the foregoing, a "Benefit Plan Investor" does not include a governmental plan (as defined in Section 3(32) of ERISA), a non-US plan (as defined in Section 4(b)(4) of ERISA) or a church plan (as defined in Section 3(33) of ERISA) that has not elected to be subject to ERISA.

Each purchaser and subsequent transferee of any class of ordinary shares (or any other class of equity interest in the Company) will be required to represent, warrant and covenant, or will be deemed to have represented, warranted and covenanted, that it is not, and is not acting on behalf of or with the assets of, a Benefit Plan Investor to acquire such ordinary shares (or any other class of equity interest in the Company).

Under the Articles, the directors have the power to require the sale or transfer of the Company's securities in order to avoid the assets of the Company being treated as "plan assets" for the purposes of ERISA.

The fiduciary provisions of laws applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "Non-ERISA Plans") may impose limitations on investment in the Company. Fiduciaries of Non-ERISA Plans, in consultation with their advisers, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company.

Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect to diversification; the cash flow needs of the Non-ERISA Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Non- ERISA Plan's investment in the Company; the Non-ERISA Plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

Non-ERISA Plan fiduciaries should also take into account the fact that, while the Company's board of directors and its investment adviser will have certain general fiduciary duties to the Company, the board and the investment adviser will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in Shares or with respect to the management and investment of the assets of the Company. Similarly, it is intended that the assets of the Company will not be considered plan assets of any Non-ERISA Plan or be subject to any fiduciary or investment restrictions that may exist under laws specifically applicable to

such Non-ERISA Plans. Each Non-ERISA Plan will be required to acknowledge and agree in connection with its investment in any securities to the foregoing status of the Company, the board and the investment adviser that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Company, the board and the investment adviser.

Each purchaser or transferee that is a Non-ERISA Plan will be deemed to have represented, warranted and covenanted as follows:

(a) The Non-ERISA Plan is not a Benefit Plan Investor;

(b) The decision to commit assets of the Non-ERISA Plan for investment in the Company was made by fiduciaries independent of the Company, the Board, the Investment adviser and any of their respective agents, representatives or affiliates, which fiduciaries (i) are duly authorised to make such investment decision and have not relied on any advice or recommendations of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates and (ii) in consultation with their advisers, have carefully considered the impact of any applicable federal, state or local law on an investment in the Company;

(c) The Non-ERISA Plan's investment in the Company will not result in a non-exempt violation of any applicable federal, state or local law;

(d) None of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates has exercised any discretionary authority or control with respect to the Non-ERISA Plan's investment in the Company, nor has the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates rendered individualised investment advice to the Non-ERISA Plan based upon the Non-ERISA Plan's investment policies or strategies, overall portfolio composition or diversification with respect to its commitment to invest in the Company and the investment program thereunder; and

(e) It acknowledges and agrees that it is intended that the Company will not hold plan assets of the Non-ERISA Plan and that none of the Company, the Board, the Investment adviser or any of their respective agents, representatives or affiliates will be acting as a fiduciary to the Non-ERISA Plan under any applicable federal, state or local law governing the Non-ERISA Plan, with respect to either (i) the Non-ERISA Plan's purchase or retention of its investment in the Company or (ii) the management or operation of the business or assets of the Company. It also confirms that there is no rule, regulation, or requirement applicable to such purchaser or transferee that is inconsistent with the foregoing description of the Company, the Board and the Investment adviser.

US Tax Matters

This discussion does not constitute tax advice and is not intended to be a substitute for tax advice and planning. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

The Board may decline to register a person as, or to require such person to cease to be, a holder of any class of ordinary shares or other equity securities of the Company because of, among other reasons, certain US ownership and transfer restrictions that relate to "controlled foreign corporations" contained in the Articles of the Company. A Shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company's directors believe that such shareholder is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by such shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

Useful Information for Shareholders continued

US Investors continued

US Tax Matters continued

In general, a foreign corporation is treated as a CFC if, on any date of its taxable year, its "10% US Shareholders" collectively own (directly, indirectly or constructively within the meaning of Section 958 of the Code) more than 50% of the total combined voting power or total value of the corporation's stock. For this purpose, a "10% US Shareholder" means any US person who owns (directly, indirectly or constructively within the meaning of Section 958 of the Code) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation. The Tax Cuts and Jobs Act (the "Tax Act") eliminated the prohibition on "downward attribution" from non-US persons to US persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, the Company's US subsidiary will be deemed to own all of the stock of the Company's non-US subsidiaries held by the Company for purposes of determining such foreign subsidiaries' CFC status. The legislative history under the Tax Act indicates that this change was not intended to cause the Company's non-US subsidiaries to be treated as CFCs with respect to a 10% US Shareholder that is not related to the Company's US subsidiary. However, the IRS has not yet issued any guidance confirming this intent and it is not clear whether the IRS or a court would interpret the change made by the Tax Act in a manner consistent with such indicated intent. The Company's treatment as a CFC as well as its foreign subsidiaries' treatment as CFCs could have adverse tax consequences for 10% US Shareholders.

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2019 and 2018. An analysis for the financial year ended 29 February 2020 will be undertaken this year. A classification as a PFIC would likely have adverse tax consequences for US taxpayers.

The taxation of a US taxpayer's investment in the Company's securities is highly complex. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

Investment Adviser's ADV Form

Shareholders and state securities authorities wishing to view the Investment Adviser's ADV form can do so by following the link below:
https://adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=160932

Notice of Annual General Meeting

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are a resident in the United Kingdom or, if not, from another appropriately authorised financial adviser without delay.

If you sell or have sold or otherwise transferred all of your registered holding of shares, please send this document, together in the case of holders of Ordinary Shares with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be sent in or into any jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

JZ CAPITAL PARTNERS LIMITED (Company No. 48761) (the "Company") Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL, Channel Islands on 12 August 2020 at 13:00 BST to consider and, if thought fit, pass the following resolutions.

The Company has been closely monitoring the evolving situation relating to the outbreak of Coronavirus (COVID-19), including the current guidance and restrictions on travel and public gatherings and social distancing. The priority of the Company's Board at this time is the health, safety and wellbeing of all shareholders and directors.

With effect from 20 June 2020, the States of Guernsey will implement Phase 5 of its transitional plan to ease the stay at home and travel restrictions originally introduced on 25 March 2020 in light of COVID-19. Whilst restrictions within Guernsey have been eased, permitting gatherings to take place within Guernsey, any persons arriving into Guernsey are presently required to self-isolate for a period of 14 days upon arrival. In light of the restrictions in place from 20 June 2020, whilst Guernsey based shareholders are permitted to attend the Annual General Meeting in person, shareholders from outside of Guernsey are strongly encouraged to appoint the Chairman of the meeting or the Company Secretary as their proxy and provide voting instructions in advance of the Annual General Meeting, in accordance with the instructions explained in the 'Notes re your Form of Proxy and voting at the Annual General Meeting' section of the Notice of Annual General Meeting.

Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy. It is highly recommended that Shareholders submit their Form of Proxy as early as possible to ensure that their votes are counted at the Annual General Meeting.

The Company will continue to closely monitor the situation in the lead up to the Annual General Meeting and will make any further updates as required about the meeting on its website at www.jzcp.com.

All resolutions other than resolution 9 are intended to be proposed as ordinary resolutions (being in each case a resolution passed by a majority of more than 50 per cent. of the votes cast, whether in person or by proxy). Resolution 9 is intended to be proposed as an extraordinary resolution (within the meaning given to it in the Articles of Incorporation of the Company, which state that an extraordinary resolution is a resolution passed by a majority of not less than three quarters of the votes recorded, including, where there is a poll, any votes cast by proxy, and as defined as a special resolution pursuant to The Companies (Guernsey) Law 2008 (as amended)).

Notice of Annual General Meeting continued

Only the holders of ordinary shares in the capital of the Company are entitled to vote on each of the resolutions proposed at the Annual General Meeting.

Resolution	Agenda
	To elect a Chairman of the meeting.
Ordinary resolution 1	1. To consider and approve the Annual Report and Accounts of the Company for the Year ended 29 February 2020.
Ordinary resolution 2	2. To re-elect Ernst & Young LLP as Auditor of the Company until the conclusion of the 2021 Annual General Meeting.
Ordinary resolution 3	3. To authorise the Board of Directors to determine the Auditor's remuneration.
Ordinary resolution 4	4. To receive and adopt the Directors' remuneration report for the year ended 29 February 2020.
Ordinary resolution 5 (see Note 1)	5. To re-elect Mr David Macfarlane as a Director of the Company.
Ordinary resolution 6 (see Note 1)	6. To re-elect Mr James Jordan as a Director of the Company.
Ordinary resolution 7 (see Note 1)	7. To re-elect Ms Sharon Parr as a Director of the Company.
Ordinary resolution 8 (see Note 2)	8. To authorise the Company, generally and unconditionally, for the purposes of The Companies (Guernsey) Law 2008 (as amended) (the "Companies Law"), to make market acquisitions (as defined in the Companies Law) of any of its shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that: a. the maximum number of shares in each class of shares in the capital of the Company which may be purchased is 11,613,378 ordinary shares and 1,784,967 zero dividend preference shares representing approximately 14.99 per cent. of each class of the shares in the capital of the Company in issue as at 17 June 2020 (being the latest practicable date prior to publication of this document); b. the minimum price that may be paid for each share of any class is 1 pence which amount shall be exclusive of expenses; c. the maximum price (exclusive of expenses) that may be paid for each share of any class is an amount equal to the higher of: (i) 105 per cent. of the average of the middle market quotations for a share of that class as derived from the daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the price of the last independent trade of a share of that class and the highest current independent bid for a share of that class on the trading venues where the purchase is carried out; d. unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier; and e. the Company may, before this authority expires, make a contract to purchase shares of any class that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of shares of that class pursuant to it as if this authority had not expired.

Resolution	Agenda
Extraordinary Resolution 9 (see Note 2)	9. To authorise pursuant to section 314(2) of The Companies (Guernsey) Law 2008 (as amended) (the "Companies Law") the terms of a contract included in the Articles of Incorporation of the Company as prescribed by the CFC Buy Back Arrangement (as defined in the circular dated 20 April 2017 and published by the Company (the "2017 Circular") included therein for the Company to make acquisitions other than under a market acquisition (as defined in the Companies Law) of ordinary shares in the capital of the Company in pursuance of the terms of that contract provided that: a. the price that may be paid for each ordinary share is an amount equal to the CFC Buy Back Arrangement Price (as defined in the 2017 Circular); and b. unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier.
Ordinary Resolution 10 (see Note 3)	10. To authorise the Directors in accordance with Article 4(8) of the Articles of Incorporation of the Company (the "Articles") to: (a) allot equity securities (as defined in the Articles) of the Company for cash; and (b) sell ordinary shares (as defined in the Articles) held by the Company as treasury shares for cash, as if Article 4(8) of the Articles did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate amount of 7,747,417 ordinary shares, such authority to expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired. Any other business.

By Order of the Board

For and on behalf of Northern Trust International Fund Administration Services (Guernsey) Limited
Company Secretary

17 June 2020

Notice of Annual General Meeting continued

Information note 1

Election and re-election of Directors

Resolutions 5, 6 and 7 relate to the proposed re-election of Mr David Macfarlane, Mr James Jordan and Ms Sharon Parr, respectively, as Directors of the Company. Biographical details of Mr Macfarlane, Mr Jordan and Ms Parr, the Directors standing for election or re-election, appear on page 24 of the Annual Report and Accounts of the Company for the Year ended 29 February 2020. In accordance with the 2018 UK Corporate Governance Code and the 2019 AIC Code of Corporate Governance, all directors should be subject to annual re-election. Accordingly, Mr Macfarlane, Mr Jordan and Ms Parr submit themselves for re-election as Directors of the Company. Ms Tibaldi will not to stand for re-election to the Board and will retire with effect from the close of the Annual General Meeting and, as announced by the Company on 18 June 2020, it is intended that Mr Ashley Paxton will be appointed to the Board shortly after the Annual General Meeting. The Board has considered the skills and experience of all of the Directors standing for election or re-election and is satisfied that, following individual formal performance evaluations, each is suitable for election or re-election (as applicable). The Board considers that the composition of the Board is well balanced and therefore recommends the election or re-election, as appropriate, of each of the Directors. The Board is satisfied that the performance of each such Director continues to be effective and that each such Director is important to the Company's long-term sustainable success. Biographies of the Directors are given on page 24 of the Annual Report and Accounts of the Company for the Year ended 29 February 2020 and, in the Board's view, these illustrate why each Director's contribution is important to that success.

Information note 2

Acquisitions of own shares

Resolutions 8 and 9 will give the Company authority to make acquisitions of its own shares in the capital of the Company.

The original authorities in respect of the Company's acquisition of own shares were granted at an extraordinary general meeting of the Company held on 16 May 2017 and were the subject of a separate circular dated 20 April 2017 published by the Company (the "2017 Circular"). The 2017 Circular provides further details of the acquisition of own shares authorities which are intended to be renewed annually by the Company at its annual general meetings each year. The authorities granted at the Company's 2019 Annual General Meeting are due to expire on 30 June 2020 and, accordingly, resolutions 8 and 9 will be proposed to renew and grant such authorities for this year.

Resolution 8 will give the Company authority to make market acquisitions (as defined in The Companies (Guernsey) Law 2008 (as amended) (the "Companies Law")) ("market acquisitions") of any of its own shares in the capital of the Company. The maximum number of shares in each class of shares in the capital of the Company which may be purchased is 11,613,378 Ordinary Shares and 1,784,967 Zero Dividend Preference Shares representing approximately 14.99 per cent. of each class of the shares of the Company in issue as at 17 June 2020 (being the latest practicable date prior to publication of this document). The maximum and minimum prices are stated in resolution 8. If given, this authority will expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier.

Resolution 9 will give the Company authority to make acquisitions other than under a market acquisition ("off-market acquisitions") of Ordinary Shares in pursuance of the terms of a contract included in the Articles of Incorporation of the Company (the "Articles") and as prescribed by an arrangement referred to as the CFC Buy Back Arrangement (as defined in the 2017 Circular). The purpose of any off-market acquisitions and the CFC Buy Back Arrangement is to allow the Company to make acquisitions of its own Ordinary Shares in a way that reduces the risk of the Company being or becoming a controlled foreign corporation within the meaning of The United States Internal Revenue Code of 1986, as amended.

The CFC Buy Back Arrangement applies in circumstances where the Company makes acquisitions of its own Ordinary Shares pursuant to a market acquisition authority. As such, any acquisitions by the Company of its own Ordinary Shares will be made pursuant to a market acquisition authority and as a consequence of that then in pursuance of the terms of the contract included in the Articles as prescribed by the CFC Buy Back Arrangement and pursuant to an off-market acquisition authority.

The CFC Buy Back Arrangement applies to certain large US shareholders including David W. Zalaznick, John (Jay) W. Jordan II and Edgewater Growth Capital Partners (each an "Exceeding Shareholder") and certain other US shareholders who the Board determines might otherwise constructively own more than 9.9 per cent. of the Company's Ordinary Shares in issue after the Company has made an acquisition of its own Ordinary Shares pursuant to a market acquisition authority (each a "9.9% Shareholder").

In the event that the Company makes an acquisition of its own Ordinary Shares pursuant to a market acquisition authority, the CFC Buy Back Arrangement will require (unless the Board determines otherwise) those large US shareholders to whom the arrangement applies to sell to the Company (and the Company to buy from those shareholders) such number of Ordinary Shares that the Board determines would be necessary or desirable in order to prevent any such market acquisitions from resulting in: (i) for each Exceeding Shareholder, that shareholder increasing its percentage holding of Ordinary Shares, and (ii) for each 9.9% Shareholder, that shareholder exceeding the 9.9 per cent. limit. Shareholders are reminded that any related party transactions resulting from the Company acquiring its own Ordinary Shares from an Exceeding Shareholder (as a related party of the Company) on the terms of the CFC Buy Back Arrangement were approved as part of the authorities granted at the extraordinary general meeting of the Company held on 16 May 2017. The price that each large US shareholder to whom the CFC Buy Back Arrangement applies will be entitled to receive (and that will be paid by the Company) for each Ordinary Share acquired by the Company under the arrangement is the CFC Buy Back Arrangement Price (as defined in the 2017 Circular) as stated in resolution 9. The CFC Buy Back Arrangement Price is the volume weighted average price payable per Ordinary Share agreed to be purchased by the Company on the relevant trading day pursuant to a market acquisition authority. If given, this authority will expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier.

Whilst the Company is requesting approval from shareholders for the acquisition of own shares authorities, the Company is not obliged to carry out acquisitions of its own shares in the capital of the Company although it does retain the power to do so, and as such, the Company may undertake acquisitions of its own shares when it so chooses including as and when opportunities in the market permit and as its cash resources allow at the time.

In addition, any decision by the Company to undertake an acquisition of the Company's own Ordinary Shares so authorised by the relevant acquisition of own share authorities will be a matter determined by the Board with the consent of the Company's investment adviser, Jordan/Zalaznick Advisers, Inc.

The Company is not currently intending to undertake any acquisitions of the Company's own Ordinary Shares and is instead focused on realising assets and repaying debt, after which however, its intention would be to return capital to shareholders.

In the event that the Company's shares are acquired, they may either be cancelled (and the number of shares in issue would be reduced accordingly) or be retained as treasury shares.

There are no warrants or options over shares outstanding as at 17 June 2020 (being the latest practicable date prior to publication of this document).

Information note 3

Disapplication of pre-emption rights

Resolution 10 will grant the Directors a power to
allot equity securities (as defined in the Articles of Incorporation of the Company) or sell Ordinary Shares held by the Company as treasury shares for cash and otherwise than to existing shareholders pro rata to their holdings. The powers granted at the 2019 Annual General Meeting of the Company are due to expire on 30 June 2020. Accordingly, resolution 10 will be proposed to grant such a power. Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of Ordinary Shares held by the Company as treasury shares for cash up to an aggregate amount of 7,747,417 Ordinary Shares (being ten per cent. of the Company's issued Ordinary Share capital at 17 June 2020 (being the latest practicable date prior to publication of this document)). If given, this power will expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier.

Notice of Annual General Meeting continued

Recommendation

The Board considers all of the resolutions at the Annual General Meeting as set out in this document to be in the best interests of holders of Ordinary Shares as a whole and accordingly the Board unanimously recommends that holders of Ordinary Shares vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Notes re your Form of Proxy and voting at the Annual General Meeting

When considering what action you should take, you should seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are a resident in the United Kingdom or, if not, from another appropriately authorised financial adviser without delay.

If you sell or have sold or otherwise transferred all of your registered holding of shares, please send this document, together in the case of holders of Ordinary Shares with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be sent in or into any jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

Please refer to the introduction of the Notice of Annual General Meeting for information on attendance at this year's meeting.

Shareholders may ask questions in advance of the meeting and are strongly encouraged to vote by proxy using the methods set out below.

Rights to vote

In accordance with the Articles of Incorporation, only the holders of Ordinary Shares are entitled to vote on all matters at the Annual General Meeting. The holders of the Zero Dividend Preference Shares are not entitled vote at the Annual General Meeting.

Subject to the Articles of Incorporation, a holder of Ordinary Shares shall have one vote in respect of each Ordinary Share held by him or her. For the purposes of the resolutions at the Annual General Meeting, this means that the votes in respect of Ordinary Shares that are cast in relation to resolutions 5, 6 and 7 concerning the appointment or removal of Directors will be counted in accordance with Article 14(17) of the Articles of Incorporation.

The Company specifies that, in order to have the right to vote at the Annual General Meeting (and also for the purpose of determining how many votes a person entitled to vote may cast), a person must be entered on the register of members of the Company by no later than 18.30 BST on 10 August 2020 or in the event that the meeting is adjourned, by no later than 18.30 BST on the date two days before the date of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to vote at the Annual General Meeting.

Proxies

A member entitled to vote may appoint a proxy or proxies who need not be a member of the Company to vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to different Ordinary Shares held by him or her.

To appoint a proxy or proxies, the name(s) of the proxy or proxies desired must be inserted in the space provided on the Form of Proxy. If no name(s) is entered, the return of the Form of Proxy duly signed will authorise the Chairman of the Annual General Meeting or the Company Secretary to act as your proxy.

Given the limitations on attendance, shareholders are strongly encouraged to appoint the Chairman of the Annual General Meeting or the Company Secretary as their proxy rather than a named person who may not be permitted to attend the meeting.

Please indicate with an "X" in the appropriate box on the Form of Proxy how you wish your vote to be cast in respect of each resolution at the Annual General Meeting. If you do not insert an "X" in the appropriate box on the Form of Proxy your proxy will vote or abstain at his or her discretion.

If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the appropriate box on the Form of Proxy the number of Ordinary Shares in relation to which they are authorised to act as your proxy. If the box is left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the Form of Proxy has been issued in respect of a designated account for a member, the full voting entitlement for that designated account). To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting Equiniti Limited by telephone on 0371 384 2030 or +44 121 415 7047 if calling from outside the United Kingdom (Lines are open 09:00 BST to 17:00 BST, Monday to Friday) or you may photocopy the Form of Proxy. Please insert in the space provided and in the appropriate box on the Form of Proxy (see above) the proxy holder's name and the number of Ordinary Shares in relation to which they are authorised to act as your proxy. Please also indicate with an "X" in the appropriate box on the Form of Proxy if the proxy instruction is one of the multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.

For the purpose of resolutions 5, 6 and 7 concerning the appointment or removal of Directors, please certify (by indicating with an "X" in the appropriate box on the Form of Proxy) that at the time of the Annual General Meeting, and in the event that the meeting is adjourned, at the adjourned meeting: (i) you will NOT be a US resident; and/or (ii) to the extent you hold Ordinary Shares for the account or benefit of any other person, such person will NOT be a US resident (a "Certifying Shareholder"). If you are unable to make those certifications you must leave the box blank. If the box is left blank, you will (unless you are otherwise determined by the Board to meet the criteria for being a Certifying Shareholder) be deemed to be a Non-Certifying Shareholder (as defined in the Articles of Incorporation) and your votes on those resolutions in respect of your Ordinary Shares will be counted in accordance with Article 14(17) of the Articles of Incorporation.

For the purposes of the certifications, "US resident" has the meaning contemplated by Rule 3b-4 under the US Securities Exchange Act of 1934, as amended.

If you are a nominee holding Ordinary Shares on behalf of multiple holders of Ordinary Shares, for each of the resolutions 5, 6 and 7 concerning the appointment or removal of Directors, please insert in the appropriate boxes on the Form of Proxy the number of votes in respect of Ordinary Shares that are cast in respect of each such resolution by Certifying Shareholders and the number of votes in respect of Ordinary Shares that are cast in respect of each such resolution by Non-Certifying Shareholders. In order to cast votes on behalf of Certifying Shareholders, you must have received in writing from the Certifying Shareholders the certifications set forth above establishing them as Certifying Shareholders. If boxes are left blank in respect of a resolution(s), the votes in respect of Ordinary Shares that are cast in respect of that resolution(s) will (unless you are otherwise determined by the Board to meet the criteria for being a Certifying Shareholder) be deemed to be cast by Non-Certifying Shareholders and the votes in respect of the relevant Ordinary Shares will be counted in accordance with Article 14(7) of the Articles of Incorporation.

The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation under its common seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited with Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the Annual General Meeting, or in the event that the meeting is adjourned, not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the adjourned meeting and in default unless the Board directs otherwise the instrument of proxy shall not be treated as valid.

The Form of Proxy may be sent by post or transmitted to Equiniti Limited. "By post" means by registered post, recorded delivery service or ordinary letter post and "transmitted" means transmitted by electronic communication. Accordingly, you may send the Form of Proxy by post to Equiniti Limited, Aspect House,

Notice of Annual General Meeting continued

Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom or transmit it by email to proxyvotes@equiniti.com (and in the case of email with the original to follow by post to Equiniti Limited). In the case of email, should the original Form of Proxy not be received by post the electronic version shall still be treated as valid (provided it is returned before the proxy cut off as detailed above).

If you are sending the Form of Proxy by post from outside the United Kingdom, you will need to place the Form of Proxy in a reply paid envelope and post the envelope to Equiniti Limited. In order to ensure that the Form of Proxy is received before the proxy cut off date as detailed above, you should also transmit the Form of Proxy by email.

To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Joint holders

All joint holders of Ordinary Shares should be named but the signature of any one is sufficient. In all cases, names must be entered as they appear on the register of members of the Company.

Where there are joint registered holders of any Ordinary Shares such persons shall not have the right of voting individually in respect of such Ordinary Share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of members shall alone be entitled to vote.

CREST

CREST members will not be able to appoint a proxy or proxies through the CREST electronic proxy appointment service.

Corporate representatives

Any corporation which is a holder of Ordinary Shares may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting and the person so authorised shall be entitled to exercise on behalf of the corporation he or she represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual member.

Representatives of holders of Ordinary Shares that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting. Please contact Equiniti Limited if you need any further guidance on this.

Please refer to the introduction of the Notice of Annual General Meeting for information on attendance at this year's meeting.

Questions

If shareholders have any questions about the formal business of the Annual General Meeting, questions may be submitted in advance of the Annual General Meeting by email to jzcp@fticonsulting.com. All questions must be submitted by email not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the Annual General Meeting and answers will be published on the website.

Limitations of electronic addresses

You may not use any electronic address provided in either this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

The address of the website where certain Annual General Meeting information is available

A copy of this Notice of Annual General Meeting can be found on the Company's website at www.jzcp.com.

Please trim along dotted line, fold and insert into the supplied reply paid envelope.

Form of Proxy

JZ CAPITAL PARTNERS LIMITED (Company No. 48761) (the "Company")

I/We, ____________________

Please insert Ordinary Shareholder/Shareholders name using block capitals. Please note if the shareholder(s) name is not inserted the Form of Proxy cannot be used.

of ____________________ being an Ordinary Shareholder/Shareholders

of JZ Capital Partners Limited HEREBY APPOINT*

(full name) ____________________

of (address) ____________________

or failing him (or if no name(s) is entered above), the Chairman of the Annual General Meeting or the Company Secretary as my/our proxy to attend and vote on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL, Channel Islands on 12 August 2020 at 13:00 BST, and at any adjournment thereof, and in respect of the resolutions set out in the Notice of Annual General Meeting dated 17 June 2020 to vote as indicated below.

* Given the limitations on attendance in person at this year's meeting, further information on which is set out in the Notice of Annual General Meeting, shareholders are strongly encouraged to appoint the Chairman of the Annual General Meeting or the Company Secretary as their proxy rather than a named person who may not be able to attend the meeting.

If the proxy is being appointed in relation to less than your full voting entitlement, please insert in the first box below the number of Ordinary Shares in relation to which the proxy is authorised to act. If the box is left blank, the proxy will be deemed to be authorised in respect of your full voting entitlement or, if applicable, your full voting entitlement of a designated account.

Please also indicate with an "X" in the second box below if the proxy instruction is one of the multiple instructions.

Number of Ordinary Shares authorised:	
Multiple instructions:	

Form of Proxy continued

Please mark the voting boxes below with an "X" to indicate your instruction 'For', 'Against' or 'Abstain'.

	Ordinary resolutions	For	Against	Abstain
1	To consider and approve the Annual Report and Accounts of the Company for the Year ended 29 February 2020.			
2	To re-elect Ernst & Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.			
3	To authorise the Board of Directors to determine the Auditor's remuneration.			
4	To receive and adopt the Directors' remuneration report for the year ended 29 February 2020.			
5	To re-elect Mr David Macfarlane as a Director of the Company.			
6	To re-elect Mr James Jordan as a Director of the Company.			
7	To re-elect Ms Sharon Parr as a Director of the Company.			
8	To authorise the Company, generally and unconditionally, for the purposes of The Companies (Guernsey) Law 2008 (as amended) (the "Companies Law"), to make market acquisitions (as defined in the Companies Law) of any of its shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that: a. the maximum number of shares in each class of shares in the capital of the Company which may be purchased is 11,613,378 ordinary shares and 1,784,967 zero dividend preference shares representing approximately 14.99 per cent. of each class of the shares in the capital of the Company in issue as at 17 June 2020 (being the latest practicable date prior to publication of the Notice of Annual General Meeting dated 18 June 2020); b. the minimum price that may be paid for each share of any class is 1 pence which amount shall be exclusive of expenses; c. the maximum price (exclusive of expenses) that may be paid for each share of any class is an amount equal to the higher of: (i) 105 per cent. of the average of the middle market quotations for a share of that class as derived from the daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the price of the last independent trade of a share of that class and the highest current independent bid for a share of that class on the trading venues where the purchase is carried out; d. unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier; and e. the Company may, before this authority expires, make a contract to purchase shares of any class that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of shares of that class pursuant to it as if this authority had not expired.			

Please trim along dotted line, fold and insert into the supplied reply paid envelope.

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	Extraordinary resolution	For	Against	Abstain
9	To authorise pursuant to section 314(2) of The Companies (Guernsey) Law 2008 (as amended) (the "Companies Law") the terms of a contract included in the Articles of Incorporation of the Company as prescribed by the CFC Buy Back Arrangement (as defined in the circular dated 20 April 2017 and published by the Company (the "2017 Circular") included therein for the Company to make acquisitions other than under a market acquisition (as defined in the Companies Law) of ordinary shares in the capital of the Company in pursuance of the terms of that contract provided that: a. the price that may be paid for each ordinary share is an amount equal to the CFC Buy Back Arrangement Price (as defined in the 2017 Circular); and b. unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the 2020 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier.			
	Special business by ordinary resolution			
10	To authorise the Directors in accordance with Article 4(8) of the Articles of Incorporation of the Company (the "Articles") to: (a) allot equity securities (as defined in the Articles) of the Company for cash; and (b) sell ordinary shares (as defined in the Articles) held by the Company as treasury shares for cash, as if Article 4(8) of the Articles did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate amount of 7,747,417 ordinary shares, such authority to expire at the conclusion of the 2021 Annual General Meeting of the Company or on 31 August 2021, whichever is the earlier, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.			

Form of Proxy continued

*For the purpose of resolutions 5, 6, and 7, please certify (by indicating with an "X" in the first box below) that at the time of the Annual General Meeting, and at any adjournment thereof: (i) you will NOT be a US resident; and/or (ii) to the extent you hold Ordinary Shares for the account or benefit of any other person, such person will **NOT** be a US resident (a "**Certifying Shareholder**"). If you are unable to make those certifications you must leave the box blank. If the box is left blank, you will (unless you are otherwise determined by the Board to meet the criteria for being a Certifying Shareholder) be deemed to be a Non-Certifying Shareholder (as defined in the Articles of Incorporation).*

If you are a nominee holding Ordinary Shares on behalf of multiple holders of Ordinary Shares, please leave the first box below blank and instead for each of the resolutions 5, 6, and 7, please insert in the second group of boxes below the number of votes in respect of Ordinary Shares that are cast in respect of each such resolution by Certifying Shareholders and Non-Certifying Shareholders. In order to cast votes on behalf of Certifying Shareholders, you must have received in writing from the Certifying Shareholders the certifications required to establish them as Certifying Shareholders. If boxes are left blank in respect of a resolution(s), the votes in respect of Ordinary Shares that are cast in respect of that resolution(s) will (unless you are otherwise determined by the Board to meet the criteria for being a Certifying Shareholder) be deemed to be cast by Non-Certifying Shareholders.

By inserting an "X" in the box opposite, I/we certify that at the time of the Annual General Meeting, and at any adjournment thereof: (i) I/we will **NOT** be a US resident; and/or (ii) to the extent I/we hold Ordinary Shares for the account or benefit of any other person, such person will **NOT** be a US resident.

To be completed by Nominees **ONLY**:

Resolution	Number of votes in respect of Ordinary Shares cast by Certifying Shareholders			Number of votes in respect of Ordinary Shares cast by Non-Certifying Shareholders		
	For	**Against**	**Abstain**	**For**	**Against**	**Abstain**
5						
6						
7						

Signature(s)

Dated

In order to be valid at the above meeting this proxy must be completed and returned to arrive no later than 13:00 BST on Monday 10 August 2020, or in the event that the Annual General Meeting is adjourned, not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the adjourned meeting. You may return the form of proxy by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom or by email to proxyvotes@equiniti.com (and in the case of email with the original to follow by post to Equiniti Limited). In the case of email, should the original form of proxy not be received by post the electronic version shall still be treated as valid (provided it is returned before the proxy cut-off date as detailed above).

If you are returning this proxy by post from outside the United Kingdom, you will need to place the Form of Proxy in a reply paid envelope and post the envelope to Equiniti Limited. In order to ensure that this proxy is received before the proxy cut-off date detailed above, you should also return the Form of Proxy by email.

Please trim along dotted line, fold and insert into the supplied reply paid envelope.

Designed and produced by emperor
Visit us at emperor.works